Foreword

Dudley Seers

It is quite eerie to read Anglophone economists discussing monetarism as if it had not been vigorously debated for more than a quarter of a century in Latin America, and as if there had not been numerous attempts there to apply monetarist doctrines starting, let us say, with the Klein-Saks programme for Chile of 1957. One feels one is seeing the re-run of an old film. Eminent economists in Britain and the United States repeat long familiar arguments (falling often into errors long since overcome in Latin America). They cite empirical evidence, for example the relation between the quantity of money and prices, as if the world were bounded by the North Sea, the Rio Grande del Norte and the coast of California and British Colombia. The tacit assumptions are that nothing of importance happens in foreign parts and that, naturally, the native economists are of no consequence.

For example, the *Economic Journal* of March 1981 carries papers and comments by four very well-known Anglophone economists, originally presented at a Royal Economic Society conference in July 1980, on 'Monetarism—an Appraisal'. These reveal almost total ignorance of what has happened in other parts of the world or been written elsewhere by monetarists (for example, Kafka and Olivera in Latin America) or their critics (eg Prebisch and Sunkel). There is no geographical limitation in the title: 'Monetarism *in the UK and the USA*—an Appraisal', would have been at least not incompatable with the exclusion of the rest of the world. (Those reared in a true science such as herpetology would be surprised if a conference on 'Poisonous Snakes' concentrated exclusively on the adder and the rattlesnake.)

In the main papers, David Laidler (who gives the appearance of reviewing relevant published material) and James Tobin cite between them more than 100 bibliographical references, of which (apart from the North Holland Press and the OECD) all but one were published in Britain, Canada or the USA, none at all even in French, Italian or Spanish periodicals. There is no mention of the documents of the IMF, the high priests of monetarism.

Why did the Royal Economic Society not invite at least one paper from an economist of a country with long experience of monetarism? Why did neither of the conference discussants, Robin Matthews and James Meade, nor the *Economic Journal* referees, point out that both authors are clearly guilty of the gravest of academic crimes: not knowing the literature! (These authors are, of course, not alone in this: leading Cambridge economists refer to each other's work almost exclusively, indeed often only to their own previous publications.)[1]

Anyone reading that symposium would believe the crucial professional controversy in the world today to be between the two wings of Anglophone neo-classicism, Keynesian and monetarist economists. There is much discussion of whether they have or have not drawn closer together as a result of recent experience. This is a discussion that seems agreeably chummy, but it must give the impression (to those in the real world) of being very much *en famille:* what the monetarists have increasingly to worry about is structuralist not Keynesian criticism, and they will continue to ignore this at their peril.

There is an even more curious feature of much current professional discussion in these parts, which is glaringly exemplified by the symposium in the *Economic Journal.* A macro-economic policy is usually evaluated simply by its impact on the country where it is adopted. Effects on volumes and prices of imports, and the balance of payments, are discussed as if there were no foreign exchange problems in the outside world. It is understandable that politicians and officials should write in this way, but is it necessary to remind academic economists that one country's imports are the exports of another and that to ease one country's foreign exchange deficit is to aggravate deficits elsewhere?

The charge that British monetarists have to face is not the comparatively trivial one of causing the long overdue retirement to a museum of some specimen of industrial archaeology in Lancashire's textile mills, or forcing a couple of million workers here to live off unemployment benefits. It is that their policies have played a large part in initiating a world slump of catastrophic scale. Although the decline in activity in the industrial countries is (so far at least) much shallower than half a century ago, it has had a far more severe impact in many other parts of the world, especially Africa, because these are now more completely integrated into the world economy. Tens of millions

[1] A convenient starting point for Anglophone economists who want to discuss the effects of monetarism and know no Spanish or Portuguese would be *Inflation and Growth: the Heart of the Controversy* [eds. Baer and Kerstenetzky, Irwin for Yale, 1964].

who previously had been merely malnourished in countries where there is no social security whatever, have been reduced to near or actual starvation.

The charge can be detailed. Item, that British (and later US) monetary policy did involve reducing imports of raw materials and foodstuffs, contributing to declines in their price and aggravating the already severe foreign exchange problems of exporters of these products. Item, that the reduction in the demand for manufactures did contribute indirectly to the same consequences by helping spread the recession throughout the industrial countries, which have collectively presented Africa, Asia and Latin America with the payments deficit that is the counterpart of the OPEC surplus of (recently) about $100 bn per annum. Item, that the British and US Executive Directors did encourage the IMF to scold not the governments of industrial countries, as might seem only fair, but those of the Third World—and, moreover, upbraid them for having courageously shouldered more than their share of this deficit. Item, that the interest rates on the consequent debt, because of monetary policy in the industrial countries, did further aggravate the deficit of the Third World. Item, that because many governments have had to go to the IMF for assistance in meeting their deficits, they have had to adopt open door development strategies and monetarist policies, irrespective of social needs or economic structure. Item, that neo-classical influences, originating overseas and purveyed through many other channels academic and official, did prepare the ground for such pressures. Item, that these policies could only be put into effect in many cases by military dictatorships, some of which are harshly repressive.

This long charge sheet of the various ways monetarism has affected developing countries is so serious that quibbling about the appropriateness of Keynesian remedies for the author's local economy appears callous. (Nero did at least produce some music while Rome burned; not just debate what instrument he should use and whether 'fine tuning' would enable him to play a sweeter melody to his court.) There are in fact possible lines of defence—and if monetarists have difficulty in identifying them, the rest of us would no doubt be glad to assist. But due recognition that, somehow or other, a case has to be cobbled together would be welcome.

Those who read this *Bulletin* will be put in a position to avoid such parochialism. Case studies of monetarist policy are provided and an analysis of the influence of the IMF. Indeed readers will be introduced to problems that have not yet occurred to the main body of the Anglophone profession, even about their own economies. For some years Latin American economists have been faced by a paradox that emerges clearly from several of these papers—putting it baldly, the coexistence of monetarist policies and chronic inflation. In the 17 years of monetarist aspirations since the Brazilian coup; prices have risen more than a hundred fold. What makes the paradox more striking is that the explanation cannot lie in the trade unions, the favourite whipping boys of Anglophone economics, because these have been weakened if not destroyed as part of strategies of economic liberalism. It is predictable that later in the 1980s the same paradox will be discussed in the *Economic Journal*—and once more as if there had been zero experience or debate elsewhere.

Postscript. Since the above went to press, I learned of Professor Tobin being awarded the Nobel Prize for Economics. At such a time it would be churlish of me not to say that, despite my criticism of a particular paper, this well-merited award gives great pleasure to all who know him and his writings.