Naval War College Review

Volume 22
Number 10 *December*

Article 13

1969

Anatomy of a Crisis

F.C. Gilmore

powered the tremendous growth of Western (and Japanese) industry in the last 20 years—agriculture, steel, and automobiles—are mature, if not stagnant. They may continue to prosper, but they will not provide the impetus for continued economic development. In their place, the author sees four new mushrooming spheres: the information industry, with the computer as its core; the oceans; materials; and megalopolis, or the technologies of providing services for metropolitan areas. The shift from an international to a truly world economy is the subject of this book's second part. The awareness of most of the peoples of the world of the "good things of life" has led to the establishment of one common set of economic values and preferences, regardless of economic condition or political status. The author devotes considerable discussion to the impact that this change in standard of values is having, and will have, on existing economic institutions and policies. The growth of "institutions" (government, business, social, and church), their current and future influence on society, and recent disenchantment and revolt against them are the concern of part Three of this treatise. The fourth, and—by the author's account—most important, change is the growth of knowledge and the ascendancy of knowledge as the central "factor of production" in America's advanced, developing economy. The knowledge industries, which now account for one-third of the U.S. gross national product, will within 10 years account for one-half of a much larger GNP. The changing educational standards that have been a part of this knowledge explosion are explained and criticized in detail by Professor Drucker.

This is a highly informative and interesting book, with the author drawing some strong and controversial conclusions. Most of these conclusions are backed by persuasive argument, if not by fact, and in this respect the reader will be forced to do some serious thinking about what he has read. The book is highly recommended to anyone who is interested in how the changes of today may affect life tomorrow.

D.J. KERSHAW
Commander, U.S. Navy

Fall, Bernard B. *Anatomy of a Crisis.* Garden City, N.Y.: Doubleday, 1969. 283p.

The full title of the book by Mr. Fall is *Anatomy of a Crisis; the Laotian Crisis of 1960-61.* In the process of dissecting the Laotian crisis, the author has left a very bloody cadaver that this reader found a bit unsightly. Some portions of the cadaver are easily recognizable, having only a few clean wounds; such areas, unfortunately, are few. Most of the remains are cruelly crossed with a mass of ugly gashes made with tools of all degrees of sharpness and size and made for unfathomable reasons. The author begins his autopsy in the French colonial period and traces the political misfortunes of Laos through the second Geneva Accord of 1961. As he wields his scalpel, knife, and axe, he seems anything but consistent to the reviewer. In their dealings with the French and the North Vietnamese and at the conference tables of Geneva in 1954, Mr. Fall invests the Laotians with acumen and diplomatic skills, but from that point on all Laotian diplomats appear as graft-ridden power grabbers, with only the narrowest of viewpoints. The Laotian fighting man, according to the author, fought bravely and with valor against the Japanese of World War II and against the North Vietnamese in the 1950's. After this time, without "good leadership" (presumably French leadership) he has never again attained the same levels of bravery or dedication. The most easily identifiable portion of the cadaver is the theme of American failure in Laos. Here his strokes are deep and clear. To say

Naval War College Review, Vol. 22 [1969], No. 10, Art. 13

that he is not enamored of Mr. John Foster Dulles is the kindest possible assessment of his treatment of President Eisenhower's Secretary of State. The author strives to make it clear that he feels the U.S. Laotian policy in the 1954-1961 years, besides wasting millions, redounded to the detriment of Laos.

Why the autopsy? The reviewer has the nagging feeling that the body of Laos was laid bare to the knife not to find the cause of death, but rather to prove what Mr. Fall has said before, that the United States should not be practicing medicine in the Far East. If Mr. Fall did not make his message clear enough, Mr. Roger M. Smith, in his Epilogue, states it thus: "The United States today finds that it is unable to reverse the tragic situation which it helped to create." Mr. Smith closes the last chapter of the book with, "In countries in which the United States is doggedly persevering in its attempts to crush Communism, it is doing worse than postponing the satisfactory resolution of these problems."

F.C. GILMORE
Captain, U.S. Navy

Friedman, Milton and Heller, Walter W. *Monetary vs. Fiscal Policy.* New York: Norton, 1969. 95p.

Monetary vs. Fiscal Policy is the result of the seventh annual Arthur K. Salomon lecture at the Graduate School of Business Administration of New York University. Essentially the "lecture" was a debate pitting the leading exponent of the "new economics," Walter Heller, against the recognized leader of the "monetary school," Milton Friedman.

Heller contends that the "new economics" has always taken monetary problems into account, and the real issue "is *not* whether money matters—we all grant that—but whether *only* money matters. . . ." His analysis leads him to the conclusion "that we should not take refuge in rigid fiscal rules like the lock-step tax cuts sponsored by Barry Goldwater and Milton Friedman" or make the money supply the sole guide to Federal Reserve policy. The American economy should also take into account interest rates and credit availability and rely on discretionary policy rather than a rigid formula of a fixed increase in the money supply of "3, 4, or 5 percent a year." He is apparently more willing to suffer some inflation than are the representatives of the money school in return for more employment. Heller points out the weak points of the monetary school of economists, showing that they are not precise in their definition of money; they focus on the money stock exclusively, overlooking other important financial variables; they do not concern themselves enough with velocity of money; they do not show *when* money matters, for great variation is observable in the lags of monetary change and resultant alterations in employment and production; they do not explain the apparent existence of "permanent income"; they assume a frictionless economy; and, finally, they would jeopardize the U.S. international position by a rigid rule concerning the money supply. Friedman answers Heller in part by saying that he has been misinterpreted and in part by saying that the evidence supports his position. He also points out that the "new economics" during Heller's time gave only lipservice to money policy, judging by the reports. To Friedman, no fiscal policy is free of monetary policy, and there is no evidence one can accept that the expansion following the tax cut of 1964 was all due to fiscal policy. He points to the failure of the surtax to change the direction of the economy in 1968, along with other specific instances of the apparent failure of fiscal measures.

This timely book is noteworthy in that it points up the issues now