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Balance of Payments

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Jacques Rueff

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reverence in which Mao is held by the masses and Party mandarins. The author was appalled by the exaggerated, hate-filled propaganda against the West upon which the Chinese people, especially the children, are incessantly fed and by the fanaticism of "work for the Party and the Plan," which was constantly evident. He found an overpowering sense of determination, of implacable destiny. Mr. Roy discovered "no cracks in the wall of public opinion." Instead, there was astonishing rigidity in regard to the Party line by all whom he met. We know that this "astonishing rigidity" of 1964 soon developed into the convulsive cultural revolution, but it is not surprising that the dissension which surely must have existed was effectively concealed from even so perceptive and persistent an observer. He paints a startlingly clear picture of the regimentation and of suspicions run rampant which suppressed all intimacy, candor, and trust in the people.

Although somewhat dated by the march of events, the excellent insight into the Chinese mentality provided by this book has not been diminished. This reviewer recommends it very highly.

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Rueff, Jacques. *Balance of Payments*.
New York: Macmillan, 1967. 215 p.

Jacques Rueff, former Inspecteur Général des Finances and Vice-Governor of the Bank of France, has achieved a certain notoriety in recent years for his advocacy of a return to the international gold standard. His theory of international payments lies behind De Gaulle's paean to gold in February 1965: "the golden rule . . . that must be enforced and honored again in international economic relations" One turns to Rueff's book,

therefore, in the expectation of finding a thorough analysis of the contemporary international monetary system and a firmly reasoned set of policy proposals. On both scores Rueff's book is a disappointment. Actually, this book is a collection of articles of which the most recent was written in 1963. Five articles are grouped in Part One, entitled "The Facts Beneath the Problem." Only the first article (written in 1963) directly tackles the U.S. balance of payments deficit and the gold exchange standard. The other four (written in 1928, 1933, 1948, and 1949) analyze the problems of trade and payments in the 1920's, the early 1930's, and the late 1940's. Since Rueff has not changed his ideas on the balance of payments, the articles in Part One are somewhat repetitious. Why has Rueff included these old articles? Presumably, to demonstrate that he has known the truth about the balance of payments all along. The author groups two articles (written in the 1950's) in Part Two, which is labeled "Elements for a Balance of Payments Theory." Since the second article was written to explain the first article, repetition also abounds in this section of the book. Actually these articles say very little about balance of payments adjustment. They are mainly devoted to an explanation of the factors determining the money supply and the function of the Central Bank discount rate.

Rueff's balance of payments theory is essentially the classical theory of adjustment under an international gold standard. A deficit transfers purchasing power out of the deficit country and thereby causes a price deflation. At the same time, by absorbing cash balances, the deficit causes a rise in interest rates in the deficit country. If these market forces are not neutralized through the creation of new money by the Central Bank, then exports will rise

and imports will fall until the deficit is wiped out. The gold-exchange system is bad because a deficit in the central reserve country (read the United States) does not cause an outflow of purchasing power necessary to achieve adjustment. Rueff has at least a half-truth by the tail. But he has derived from a simple theoretical model a set of policy prescriptions for a complex, messy world. Reliance on Rueff's "automatic" market adjustment would take balance of payments policy out of the hands of the policymakers. It would leave them no options; they might be compelled to sacrifice other economic goals (full employment, economic growth) for the goal of balance of payments equilibrium. Ultimately, therefore, Rueff's position reduces itself to the value judgment that balance of payments stability is the supreme economic goal.

This book is not recommended for the lay reader, except possibly the first article. The economist-reader will be annoyed by the use of strange names and phrases for the standard terminology of economic theory. Apparently, the translator knows nothing about economics as expressed in English.

F. R. ROOT
Chair of Economics

Wallerstein, Immanuel. *Africa: the Politics of Unity*. New York: Random House, 1967. 274 p.

Mr. Wallerstein, the author of *Africa: the Politics of Unity*, is to be commended for maintaining a positive approach to the subject matter, as disunity rather than unity seems to have dominated contemporary African politics. He makes a courageous attempt to systematize the multitudinous African events which have occurred during the 1957-1965 time frame through the vehicle of the principal theme: African unity, as an ideal and as an objective.

He is even generous in his interpretation of the positive contribution that revolutionaries like Kwame Nkrumah have made in advancing the ideological force of unity as a movement. Also, he generally ascribes to the actions of some of the new ministates a foresight and maturity of conduct which might be questioned at times. Because of the number of minute events examined in detail this is not an easy book to read unless one is already well versed in this period of African history. The author also presupposes a background knowledge of what transpired in Africa prior to 1957. His propensity to review political events without identifying associated factors, such as economics, detracts from the completeness of the discussion. The philosophy underlying the role of the trade unions as the avant garde in the movements toward African unity is related in a detailed, historical manner. The plethora of organization initials that occur as many as 30 times to a page makes for a difficulty in reading that is only partly alleviated by a five-page glossary of initials provided in appendix A. However, for someone desirous of understanding the detailed interplay of African labor leaders and unions the information would be of value.

The synthesis of the author's knowledge appears in the final chapter, "African Unity in the World Context." Relations between the United States and the U.S.S.R., as they have affected African political fortunes, bring forth some critical philosophy from Mr. Wallerstein. He assumes a détente between the two and views this as circumscribing the flexibility enjoyed by African nations during the cold war. The book is recommended only for the serious student of Africa, and even he might start with the last chapter first.

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