Book Notices

Clarke, Stephen V.O., *Central Bank Cooperation 1924-31,* New York, N.Y., U.S.A., Federal Reserve Bank of New York, 1967, 234 pp., $2.00.

ONE of the more striking developments of international financial policy during the 1960's has been the revival of cooperative financial action—and joint support operations—between national monetary authorities. The main agents for, if not always the initiators of, such international cooperative action have been the central banks of the industrial countries. Central bank cooperation has now become an important stabilizing element in the international financial relations of countries.

Cooperation between central banks is not, of course, a recent phenomenon. Indeed, its history goes back at least to the Latin monetary union of the 1860's, and there are a number of occasions in English monetary history before 1914 when the Bank of England relied heavily on the Bank of France for "support" operations at times of exceptional stringency in the London money market. It was during the 1920's, however, that a formal and complex, though ad hoc, network of central bank cooperation was established. These arrangements were made specifically, and most comprehensively, in connection with the various programs of exchange rate stabilization associated with the return to the gold standard of important European countries—especially the United Kingdom and Germany. The technique of cooperation was comparatively simple in practice—usually a stabilization loan between central banks was negotiated or arranged by them and they were often prepared to conduct domestic monetary policy in a manner which did not cause unnecessary disturbance in foreign money markets or put undue strain on foreign central banks.

Mr. Clarke, in this brilliant book published by the Federal Reserve Bank of New York, carefully traces the evolution of central bank cooperation between 1924 and 1931 as seen from New York and, in particular, as practiced by the Federal Reserve System. The core of the book deals with the stabilization of the German mark in 1924 and the return to the gold standard by the United Kingdom in 1925 and the subsequent attempts to maintain that standard. The exercise failed, in part because central bank cooperation and assistance broke down at the most crucial time, and culminated in the financial crisis of 1931.

It is an exciting story which is well told. It is not, however, the whole story, partly because other central banks have been less forthcoming than the Federal Reserve System in opening their archives to historians. But more significantly, the financial crisis was superimposed on a devastating economic depression which had been in progress for two years or more before the financial crisis occurred and Mr. Clarke, concerned as he is with international central bank policy, has chosen to concentrate largely on one aspect of international economic policy and developments which led up to the international crisis. The totality of the interaction of economic and financial developments and policies of this period still awaits its historian. In the meantime, Mr. Clarke has given the first full account of how one of the most important participants reacted through its international financial policy. It is an indispensable guide and reference and the implications of his story are not irrelevant today.

David Williams

Finance and Development *does not attempt to evaluate books or contributions thereto by members of the staff of the International Monetary Fund or the World Bank, but notes them as likely to be of interest to its readers.*

Baldwin, George B., *Planning and Development in Iran,* Baltimore, Md., U.S.A., The Johns Hopkins Press, 1967, xv + 212 pp., $6.95 or 56s. (in United Kingdom only).

THIS BOOK is an account of Iran's major effort to develop national economic planning after the nationalization of the oil industry in the early 1950's, when the country entered a period of relative stability, prosperity, and optimism. In 1957, on the advice of the World Bank, the U.S. Government, the Ford Foundation, and others, an Iranian Economic Bureau staffed by Iranians and assisted by the Harvard Advisory Group was established inside the national development agency. The author was a member of this group.

The book is a result of this experience and has three main purposes. First, it strives to explain economic planning in a developing country in practical terms so that those who attempt this task will better understand how to go about it. Second, it points out how difficult it is to make and execute development plans in the face of adverse political and cultural factors. The book's third purpose is to make clear that economic development and economic planning do not necessarily walk hand in hand; they may in fact walk on opposite sides of the street.

Iran is a country where economic development is succeeding but where economic planning has largely—although as Mr. Baldwin shows, not totally—failed. It is the difficulty of estimating the degree of failure, he writes, that makes it hard to decide whether Iran should abandon planning, as the process is usually understood, or not.

The author joined the Economics Department of the World Bank in 1962; two years later he transferred to the Bank's Economic Development Institute. In his Bank work he has not been involved in Iranian affairs.

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Ezekiel, Hannan, *The Pattern of Investment and Economic Development,* Bombay, India, University of Bombay, 1967, vii + 119 pp., Rs 9.50.

THE AUTHOR outlines a new strategy for the less developed countries based on the criterion that the attainment of a high rate of growth alone should govern the choice of the pattern of investment. He contends that by adopting an export-oriented pattern of investment a less developed country is able to achieve a much more rapid rate of growth than by basing investment on the development of capital goods industries.

In Dr. Ezekiel's opinion, the less developed countries should shift priorities from the usual emphasis on capital goods industries to consumption industries with export outlets. This, he claims, would lead to high rates of growth of foreign exchange earnings, and thus to increased quantities of capital goods through trade. By using this strategy, income, consumption, investment, and employment would increase more quickly. This conclusion he bases on the assumption that a less developed country should not face any serious difficulties in finding markets for the products of the export industries it would set up.

Dr. Ezekiel does not share the widespread feeling of pessimism about the export prospects of traditional industries and of primary commodities of the less developed countries. He states that this pessimism has resulted in the tendency to reject the export-oriented pattern of investment as unrealistic. Promoting these exports, he argues, will prove a greater source of growth than concentration on domestic production of import-substituting heavy industry products.

Developed from lectures delivered at Bombay University in 1965, the book describes in detail the role that rapid increases in levels of consumption and employment can play in promoting further growth by raising productivity and fostering political and social stability.

Hannan Ezekiel is Chief of the Financial Studies Division of the Research and Statistics Department of the Fund.

Development Planning: Lessons of Experience

by Albert Waterston

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The author is Advisor on Planning Organization in the Development Services Department of the World Bank. He is also the author of *Planning in Pakistan, Planning in Yugoslavia,* and *Planning in Morocco,* and coauthor of *The Economic Development of Mexico.*

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The dazzle of the new Bangkok; see "Controlling the Chao Phya", page 237.