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The European Community and the World Economy

The topic of this P.H. Spaak Lecture reflects my concern for both Europe and the World Economy, my fear of a conflict between the North and the South and my belief that the European Community could play a constructive role in finding a way towards a cooperative world economic order which would be beneficial for the poor countries without slowing down economic growth and social progress in Europe and other developed parts of the world.

As this is a general survey, I am compelled to leave out the many facts that should be mentioned, much of the reasoning which lies behind the arguments and the details which tend to bedevil any constructive proposal.

After these pleas for your intellectual generosity I should like to advance the following nine propositions, which relate to trade, to aid and resource transfer, and to the exchange rate problem.

1. Proposition One is a lesson from the fact that the freeing of intra-European trade through the formation of the customs union after 1958 was accomplished earlier (1 1/2 years) and with much less difficulty of structural adjustment than had been anticipated or feared.

One explanation is that trade among industrialized countries is based upon an intra-industry rather than an inter-industry specialization, so that integration amongst them does not require shifts of resources from one industry to another. Integration among indus-

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trialized countries requires only intra-industry adjustment which is often an adjustment that can take place within individual firms.

The second explanation, which adds to the first, is that more intra-industry trade means more competition, that more competition means more economic growth and that economic growth is most likely to ease any adjustment problem. The happy fact that the 1960's were a period of accelerated economic growth is probably not unrelated to the formation of the European Community. It is true that for West Germany the Sixties were a period of slower growth in contrast to the recovery miracle of the fifties, but it should be recognized that this miracle was also partly conditioned by deliberate measures to liberalize trade and to invite competition from the advanced countries of the West.

My first proposition then is : *If Europe feels that it should have again a more vigorous economic growth it should embark upon a policy of unilateral or multilateral freeing of trade and competition among industrialized countries, notably with North America and Japan.* This would be in line with the promises contained in Article 110. of the Treaty of Rome.

2. My second proposition does not relate to growth as such but to growth without inflation and, more specifically, to the objectives of more price level stability and a higher level of employment. We all know that there is a conflict between these two most desirable objectives. The short-run remedy against unemployment is suggested by a relationship which is associated with the so-called Phillips curve. You can, however, only temporarily achieve full employment or reduce the level of unemployment below what has been called its natural rate if you increase aggregate demand fast enough to make wages lag behind the increase of prices and productivity and to make prices lag behind the expansion of total expenditure. The full employment effect, therefore, rests on the existence of a wage lag and a price lag. Both lags have shortened in the recent past because of a decline in the inherited stock of money illusion. Or to put it differently : inflationary expectations, which were adaptive in the past, have become more rational as a result of inflationary experience. Some people say in this context that the long-run conflict between full employment and price level stability is due to excessive wage pressure. To those I have no constructive answer in the context of this address. Others maintain

that the market economy does no longer permit full employment and price level stability because of the existence of monopolies, oligopolies, and cartel arrangements.

To these the answer is contained in my second proposition : *If Europe wants to have more price level stability in the new upswing and a better trade-off between unemployment and inflation, it should stimulate competition from abroad by unilaterally reducing or removing tariff and non-tariff barriers vis-à-vis the outside world, notably vis-à-vis North America and Japan. It should do this at the latest at the beginning of next year. Instead of fighting inflation in 1977 by a recourse to an unanticipated deceleration of monetary growth, we should fight monopolistic and oligopolistic pressures by injecting into our economies the same medicine of outside competition that seems to have proved so beneficial for Germany in the fifties and for Western Europe during the formation of the Common Market.*

3. My third proposition is : The reduction of tariff and non-tariff barriers vis-à-vis other advanced countries, which is necessary — although not sufficient — for growth and full employment without inflation in Europe should not be retarded or prevented by arguments based on

- balance of payment grounds,*
- the dangers of dumping,*
- the problems of distorted competitive conditions,*
- the principle of reciprocity or*
- the belief that the common tariff wall and common non-tariff restrictions on imports are necessary for the internal coherence of the community.*

Let me quickly state the reasons for this position.

a) Balance of payments reasons for import restrictions have an old history and are very popular among short-sighted politicians and journalists. They are based on the implicit assumption that the exchange rate is fixed and overvalued or that — if exchange rates are sufficiently flexible as they are now — they should equilibrate the balance on current account, but would be unable to do so because of price elasticities of demand for imports being too low — at least in the short run. It is almost an irony of European history that the country to which we owe the philosophy of free

trade should re-introduce import restrictions on balance of payments grounds just when we commemorate the bicentennial of the publication of Adam Smith's *Wealth of Nations*. In contrast to the Britain of the first 100 years after Adam Smith the Britain of today does not appear to choose her policies according to long-run criteria. However, even in the very short run trade restrictions do little help. They may alleviate the pains of adjustment in the first instance, but at the same time they invite domestic pressure groups to exploit fully the price and wage raising potential offered to them through protection, and they thus strengthen the distortion in relative prices and relative wages which are the root of trouble in countries that take resort to controls.

b) Where the fear of dumping is invoked to maintain tariffs and non-tariff barriers short-term interests of domestic producers are at stake. No foreign company can afford to waste its profit potential in the longer run by making a present to the importing country. If a domestic producer feels that a foreign competitor will undersell him for a long period of time this may be an indication that he is no longer competitive unless he changes his product mix or introduces a product or process innovation. Short run dumping is, therefore, no different from other forms of active competition. If we in the Common Market would call every act of price differentiation which takes place across national borders « dumping » we should probably find that dumping was the most frequent form of active price competition. Fortunately enough, we are not going to have anti-dumping duties or to rebuild tariff walls within the Community for this particular reason. Hence, there should be no concern over dumping practices in a free trade area comprising all advanced countries of the western world. If Europe goes ahead unilaterally while North America and Japan maintain their trade barriers there is a greater possibility for foreign firms to sell their products at higher prices to their domestic customers than they would charge in our market, but this is just too bad for American and Japanese consumers and should be an argument for them to demand free trade as well. Apart from this, how could Europe morally invoke the dumping argument after having for a long time dumped her agricultural surplus on world markets at prices much below what domestic consumers had to pay ?

c) Distorted competitive conditions are no argument against free trade. There are numerous distortions of relative prices and

relative wages within the Common Market ; they differ from member country to member country, and nobody thinks any more that their negative effects on economic welfare should be neutralized by national tariff walls. Europe's domestic distortions should be corrected or removed by domestic policies. Distortions in North America or Japan need not be our concern ; they can and must be taken as given, just as if they were a reflection of the existing factor endowment in these countries. The fact e.g., that Japanese women earn lower wages than Japanese men would be no reason for us to restrict imports from Japan, even if we knew which Japanese export goods had a relatively high content of female labour. If we feel that female workers in Europe do suffer from such imports we might subsidize their wages at the expense of other incomes until demand and supply in this sector of the labour market become equal at equitable wages. Thus the solution to the problem of distortions is subsidies, not import duties. This is in contrast to the situation in the 19th century when governments had hardly any other means of structural policy. I mean this as a general verdict against using trade policy as an instrument of structural policy in advanced countries. It covers also the intellectually respectable infant industry argument. Wherever the conditions for this argument apply — i.e. long-term external economies of the irreversible non-pecuniary type — we have in the Community a valid case for government support in the framework of regional and structural policy. You may put this differently by saying : the infant industry argument is an argument for tariffs only if the country is as small as a region and has an underdeveloped capacity to raise taxes, but neither can the Community claim to cover a small area nor can European Governments maintain to be incapable of taxing their citizens.

d) The principle of reciprocity is advanced against unilateral tariff reductions by negotiators and by producers who consider that the freeing of imports is a concession to foreigners and, therefore, requires a quid pro quo. But in fact it is equally a suitable means of reducing domestic monopoly power. The analogy with disarmament is as misleading as it is popular. Tariffs are not weapons unless you believe in the inevitability of a Keynesian type underemployment equilibrium, where countries try to export to each other their unemployment by restricting imports and promoting exports. But even then the economic war would more

rationally (because at least cost) take the form of competitive devaluations, a game which is bound to increase the world money supply. Even in this respect, therefore, tariffs and import restrictions have become obsolete among advanced countries. The principle of reciprocity serves only one useful purpose: it may enable the partner on the other side of the negotiating table to make equivalent moves towards more international competition for the benefit of his consumers without losing the support of his politically potent producers. If this should be a real political issue the Community might assume leadership in the field of international trade and start with a bold proposal that all advanced countries of the West should gradually phase out their external tariffs over a period of ten to twelve years. And if no agreement could be reached on these lines within a limited period of time, the Community should take unilateral action. I know about the political difficulties of internal agreement in these matters, but if the academic community does not speak out and make the proposals which it considers sound in the longer run, politicians will not be stimulated to look beyond the limits of their short-term time horizon. Gunnar Myrdal once said: « Politicians . . . have to watch carefully that they do not elevate themselves more than a tiny inch above the short and narrow view, the popular aggressions, the ingrained prejudices of the public which grants them power. In general, political leadership in a democracy implies keeping oneself at the head of the flock wherever it is drifting. Holding political power often means relinquishing any real influence on the course of events ». In the spirit of this quotation I may add that Europe seems to have more politicians now and a few statesmen less than at the times of Paul Henri Spaak.

e) The proposal to remove over the next decade the common external tariff of the Community may meet with the objection that this would destroy a necessary bond holding the nine member countries together. Against this I would argue that if Europe assumed leadership in international affairs, including trade policy, this would be much more conducive to the coherence of the Community than the merely defensive instrument of a common tariff wall.

4. Europe's leadership is particularly needed in finding a constructive answer to the challenge of the Third World which becomes more and more impatient in demanding a New World

Economic Order. To this challenge and the Community's economic policy vis-à-vis the developing countries I shall devote the rest of my lecture.

There are essentially four objectives that the proponents of the New World Economic Order want to achieve: (1) an increase of the share of less developed countries (LDCs) in world manufacturing production from about 7 per cent in the middle of the seventies to at least 25 per cent in the year 2000, (2) higher and more stable prices for raw materials from LDCs through inter-governmental arrangements, (3) the protection of developing countries against world inflation through commodity agreements which tie raw material prices to the prices of manufactures from developed countries, and (4) the right for developing countries to nationalize foreign investment with compensation being determined according to national instead of international law.

My fourth proposition is: The objectives of this «new order» are not consistent with each other in normal circumstances.

— One inconsistency exists between the nationalization objective, which is bound to reduce the flow of private capital and know-how from Europe and the United States to the Third World, and the 25 per cent target, which call for an even larger resource transfer of this type.

— A second conflict with the 25 per cent target will develop from the objective of fixing and maintaining raw material prices above market equilibrium levels, because such prices would stimulate the production and export of primary products rather than the development of a strong manufacturing sector in the LDC's.

— Thirdly, artificially high prices for raw materials will not only redistribute world income but also distort production and slow down economic growth in Europe, and this is likely to reduce unnecessarily the flow of official aid to the Third World.

— Fourthly, there are quite a few developing countries which do not possess raw material deposits. They cannot but suffer from all the attempts at imitating the OPEC cartel and its apparent success after 1973.

5. My fifth proposition is: The Community can and should help the Third World countries in stabilizing their foreign exchange receipts from raw material exports along the lines of the Lomé-Agreement but also by improving its own business cycle policy.

a) The Lomé-Agreement between the Community and the developing countries of the African, Caribbean and Pacific area provides for credits to be given on request, if foreign exchange receipts from agricultural raw material exports decline for cyclical reasons. These countercyclical credits shall be repaid — except in the case of the very poor countries — when the debtor's foreign exchange position improves in a world commodity boom. This is a device similar to the countercyclical borrowing and repayment policy of the public sector in our own countries. Apart from the possible dangers of administrative friction and unduly long time lags, which will arise in this scheme as well as in anticyclical fiscal policy, the principle is sound and a good basis for international cooperation on a wider scale.

b) It is more attractive to me than the alternative proposal embodied in the so-called Corea Plan. The major problem arising in any scheme of countercyclical purchases and sales by an international buffer stock organization is how to make sufficiently correct projections of future commodity prices in an uncertain world. If the required knowledge were readily available, competitive speculation in organized markets could be relied upon to perform the task. A central agency under intergovernmental surveillance, as it has been suggested, could be more knowledgeable only if it received policy information that were withheld from the public. The solution to the problem of price stabilization in raw material markets seems to lie in a more effective, more predictable and better coordinated countercyclical policy of the major industrial countries. As monetary policy seems to be the major source of business fluctuations, I strongly plead for the announcement of coordinated targets for monetary growth. The German Bundesbank has made courageous steps in this direction by announcing at the end of 1974 and the end of 1975 that it will increase the volume of central bank money by 8 per cent in the following year.

c) On the other hand, I have strong reservations against an indexation of raw material prices by intergovernmental agreements. This may appear to be in contrast to my equally strong pleas for governments to permit and encourage the wide-spread use of index clauses in private contracts. Let me, therefore, spell out the difference. What I am strongly in favour of is that citizens should conclude their individual contracts in real terms so that unanticipated acceleration or deceleration of inflation does not distort the allo-

cation of resources and the distribution of income through the price mechanism. Economic agents should be put in a position to plan with as much certainty as they would in conditions of price stability. Indexation in this sense can be shown to be the condition for a relatively painless return to more price level stability in the future. But if raw material prices are indexed on the prices of industrial goods on a world-wide scale, indexation is abused as a means of unnecessarily fixing relative prices between two types of goods. This entails the risk of blocking the price mechanism and giving wrong market signals for the allocation of economic activities.

d) The New World Economic Order, as can be inferred from numerous declarations and resolutions, implies government action against the market. Such action always requires additional interventions either to support it or to correct its negative side effects. I fail to see how any such order which is directed against the market could possibly produce satisfactory results in the absence of a strong central world government plus a bureaucracy much larger than that of our Common Agricultural Policy. There are, thus, good reasons for considering an alternative road to a better world economic order.

6. The sixth proposition I should like to advance in this lecture is the following : *Instead of supporting these ideas of a New World Economic Order the Community should lead the way towards a better market integration between developed and developing countries.*

a) To this effect we have to realize as a first step that the gradual removal of all restrictions on imports from developing countries lies in Europe's enlightened self-interest for the following reasons.

— There is first the competition argument already mentioned. Here it specifically relates to effective price competition from countries that can and must have lower wages because of their abundant labour supply. Those who consider that the Western World has become a world of monopolies and oligopolies as a result of strong tendencies towards concentration and that we shall, therefore, continue to suffer from cost-push or mark-up inflation, should be glad that there is a huge reservoir of potential competition from countries that have successfully moved along the path of ex-

port-oriented industrialization. But when it comes to make use of this potential, organized labour may have similar reservations and objections as business (or what Galbraith likes to call the technost-structure).

— The second argument for freeing imports from low-wage countries relates to growth rather than stability. More specifically, it relates to the long-run increase in real wages, which should be our major concern. The level of real wages can go up faster than it would otherwise do, if we cease to protect low productivity industries which are often also low-wage industries. The problem is how we could best transfer the workers, who will be released under the pressure of import competition, to those jobs, firms and industries which are more competitive in world markets and can, therefore, offer higher real wages. What we need to do, in order to help ourselves as well as the Third World, is to facilitate and to accelerate the structural change which is bound to accompany economic growth. The direction of the change is clear from cross section analyses and the modern theory of international trade: it is a shift of resources to the production of goods and services which are capital-intensive, skill-intensive, and research-intensive, since it is physical and human capital and the capability for research which is relatively abundant in Europe as compared to the Third World. To facilitate this shift it requires

- a push from free competition from low-wage countries,
- a pull from highly motivated Schumpeterian entrepreneurs and
- a structural policy which is geared to adjustment assistance rather than maintenance subsidies and which favours risk lovers: suppliers of risk capital and genuine entrepreneurship in all forms.

No other organization than a market system with active competition will find out where the opportunities for higher real wages precisely lie under the fog of an uncertain future. This is the more true after large parts of Europe have attained a wage level comparable to that of the United States, a fact which precludes the easy way of making progress by importing or imitating what American firms have achieved in the field of product or process innovation. After the closing of the technological gap we must try to increase the number of innovators amongst ourselves. The problem is political as well as sociological, and its solution may require

a change from what has been called a zero-sum mentality (Dahrendorf) towards a positive-sum mentality.

b) A positive sum-game in restructuring our economy is also a positive-sum game for the Third World. If we withdraw resources from the production of goods that can be more cheaply imported from low-wage countries we give the latter an opportunity of « trading up » from the export of raw materials to the export of semi-finished goods with a high raw material and labour content and finally to more or less sophisticated finished goods that make full use of, and raise the demand for, human skills. Such « trading up » opportunities will put more developing countries in a position to earn rather than borrow the foreign exchange needed to finance the import of capital equipment for the improvement of agricultural productivity and the development of a manufacturing sector.

c) There is an objection to the « trading up » philosophy which I can dispose of fairly quickly. It draws attention to the fact that while we move ahead into new areas of economic activity we leave to the developing countries the markets of those goods which happen to have a low income elasticity of demand and which, therefore, could be sold in larger quantities only if prices are reduced. The counter-argument is twofold. Firstly, the income elasticity of demand for shoes and clothing may be low in our markets, but it is certainly higher for lower income levels. Secondly, what matters is not the income elasticity of demand as such, but the income elasticity of demand for products from developing countries ; and this income elasticity goes up when our firms withdraw from the market under the pressure of import competition. Any shift from a conservating to a progressive structural policy in the advanced countries, including Europe, and any change from a defensive towards an anticipatory adjustment behaviour of our firms would greatly help the developing countries. They as well as our entrepreneurs — and even our farmers — should learn that nobody needs to suffer from a deterioration of his terms of trade as long as he can change his output mix in favour of products with a high income elasticity of demand. If we proceed in this way, we make room for similar advances in countries which lag behind us. It is the existence of these opportunities for mutual advantage which gives me the hope that Europe — or any part of it — may be able to demonstrate that cooperation for structural change is a preferable alternative to the zero-sum mentality pre-

vailing in some of our member countries as well as among the advocates of the basically zero-growth proposal for a New World Economic Order.

7. The seventh proposition to which I come now refers to the locational adjustment problem. It may be stated as follows: *The most advanced regions — like the most advanced firms — can maintain their relative position only if they are prepared to adjust their production and their output mix in favour of more sophisticated goods and services.* This requires the relocation of economic activities, which cannot be adjusted in this way, into the backward regions of advanced countries and possibly into the developing countries directly.

a) A smooth working of this relocation process is essential for a balanced regional development in Europe. For serious resistance against the removal of restrictions on imports from developing countries is most likely to come from our own underdeveloped or depressed regions. The reason is that these regions often happen to be dominated by industries that are under strong competitive pressure from low-wage countries. They would be most severely hit by a transfer of activities to the Third World unless they themselves were able to attract industrial jobs from those advanced agglomeration areas which have reached the environmental limits to industrial growth and need to concentrate on more sophisticated activities, mainly in the tertiary sector. Assistance to advanced agglomeration areas should, therefore, not be given, not even in the form of infrastructure investment, if it means support for manufacturing.

b) What is needed instead is relocation and adjustment assistance. It can be given to firms, which are prepared to transfer jobs, or to industrial workers who wish to be relocated rather than retrained, or to the backward regions if they can show to have an industrial development potential due to their geographic position and their factor endowment. The funds for such a regional policy could be most rationally raised by taxing part of the increase in land values in the advanced central areas, since it is through such changes in land values that the price mechanism operates in reshaping the locational structure of economic activity.

8. *The eighth proposition draws attention to the political risks which*

are probably the most important impediment to a transfer of resources to the Third World. Let me start by saying that the migration of enterprising people and human capital and the movement of investible funds and physical capital have always been essential elements of world dynamism, notably during the last two centuries. During the first century after the industrial revolution, it was the Pax Britannica (the British fleet) which — apart from the dominance of a « *laissez faire* » philosophy — seemed to offer protection against the political risks attached to any private resource transfer to overseas countries. During the last hundred years, when the Pax Americana followed the Pax Britannica, the United States was considered to offer leadership in favour of political stability and property protection. But in the last ten or fifteen years it has become increasingly clear that political conditions are fundamentally different from what they were in the Colonial Age. What we have failed to do is to draw constructive conclusions from this. In 1974 the General Assembly of the United Nations with an overwhelming majority adopted a resolution which, according to the « Charter of the Economic Rights and Duties of States » contained in it, grants any government the right to expropriate foreign investors according to national instead of international law and hence without adequate compensation. This resolution signifies the breakdown of the international system of property rights. Perhaps I am insufficiently informed, but I have not yet heard of an adequate European response to this challenge which is likely to hurt the Third World at least as much as our own economies. What can be done? My eighth proposition tries to give a hint at a possible answer: *The European Community should make an offer to any country in Europe and the rest of the world that respect private property in manufacturing to form what may be called a « Free Investment Area ».* Let me explain the objectives and the means of such an arrangement.

a) There is first the case of countries (like Turkey) which are associated to the Community and, as a result of this, will form part of our labour market. Here it is essential to ensure that the North-South mobility of capital is nearly as high as the South-North mobility of labour.

A necessary condition for this is that the partner country solemnly declares to refrain from any expropriation without com-

monly agreed compensation. The only sanction we would have appears to be the imposition of controls on immigration. Here the principle of reciprocity will have to come into full play.

b) Where access to our labour market is not at stake we have to work out an insurance arrangement with adequate participation of the partner country. The problem here is essentially the question what pledges the latter can offer in case of a political upheaval. The only possibility seems to be an asset which is held in an international institution such as the International Monetary Fund. The country concerned will have to weigh this disadvantage of mortgaging external assets against the advantages of an accelerated development due to the greater inflow of resources. And it may be hoped that these socio-economic advantages will significantly reduce the risks of a political upheaval. The whole arrangement must be designed in such a way that an otherwise vicious circle of mutual distrust and instability can be broken and turned into a virtuous circle of mutual confidence, of a mutually advantageous resource transfer, and of political stability through contractual coordination instead of the outmoded forms of hegemonial and colonial subordination.

c) There is little prospect that any simple formula will fit the diversity of political and economic conditions in the various countries of the Third World. We may, therefore, have to start with bilateral negotiations and to handle the easier cases first. But any agreement should be open for others so that they can accede if and when they are prepared to accept the conditions. This would be a type of conditional Most Favoured Nation Clause.

d) Openness in this sense plus diversity completely conform with the basic principles of the market system. It is clear that the developing countries as a group will reject the idea as long as they can hope to bring power to bear in political confrontations or North-South-Dialogues. I trust, however, that hopes will be followed by disillusionment and that the idea of political cartelization which is behind the concept of the New World Economic Order will lose its appeal as compared to the principles of pioneering trials, learning by errors and experience, and successful imitations which have prevailed in prosperous periods in the past. This is the way we have to pursue in the advanced countries of Europe, if we wish to make social and economic progress in the future, and unless we fail in this respect in those member countries

where the zero-sum mentality is gaining ground, we in the European Community should not be too timid in explaining to other peoples that international cooperation in support of market integration which according to our own experience is the best way towards prosperity is worth individual as well as common effort.

9. *My last proposition concern the exchange rate problem.* It starts from the experience of Germany and other European countries which enjoyed the advantages of an export-led growth when they had an undervalued exchange rate — in contrast to the United Kingdom after 1925 or the United States five years ago which had a depressed foreign sector because of currency overvaluation. Under certain conditions, as they existed in the Federal Republic in the Sixties, an undervaluation raises the marginal efficiency of investment at home and attracts capital and entrepreneurship from abroad. This is how the technological gap and the managerial gap between this side and the other side of the Atlantic has been narrowed or closed by means of an accelerated resource transfer. The developing countries — this is my proposition — should be permitted or even induced to adopt a similar strategy vis-à-vis the more advanced countries. This can be achieved by flexible exchange rates.

a) Under truly flexible rates there would at least be no currency overvaluation and hence
 — no need for exchange control and also
 — no artificial subsidization of the domestic price of those capital goods which are allowed to come in.

As a consequence, factor prices would no longer be distorted to the benefit of capital-intensive techniques. This would in itself be a contribution to solving the huge unemployment problem in the Third World.

b) Undervaluation to attract foreign resources should only be sought for a limited period of time. It can be brought about if the Central Bank intervenes to accumulate foreign exchange. This implies, of course, a kind of forced saving. But once the country has become creditworthy and attractive to foreign capital this saving pays high dividends. If too high reserves accumulate in such a dynamic process the Government can act as an autonomous importer of capital goods to build up factories or to improve the infrastructure. The dynamic process of undervaluation, export pro-

motion and resource attraction can also be initiated by autonomous importers, who are nothing else but Schumpeterian entrepreneurs under a new name. By spending money on productive imports, they would drive up the price of foreign money, thus paying a subsidy to domestic exporters and to all those domestic producers who supply import substitutes. At the same time they would improve the social atmosphere by what we call non-pecuniary external economies.

My last proposition thus amounts to recommending flexible exchange rates plus a government policy which is either entrepreneurial or conducive to entrepreneurial activities. If you ask me why I happen to be so kind to entrepreneurs, my answer is simple and very selfish : I am not an entrepreneur, and as a teacher and civil servant I have almost an opposite role and nature. But I know that almost nothing is more advantageous for anybody in the longer run than an increase in the numbers and activities of those who supply complementary services.