profitable reading and a valuable reference. It should be useful for orientation purposes in an area that continues to experience a population explosion in a period when great efforts are being made to improve health, education, and economic opportunities.

James L. Paschal

The Alliance for Progress: Problems and Perspectives
Edited by John C. Drier. The Johns Hopkins Press, Baltimore. 146 pages. 1962. $3.95.

THE JOHNS HOPKINS School of Advanced International Studies sponsored a series of lectures on the Alliance for Progress in the spring of 1962. Five lectures were selected as essays for this publication to contribute to the success of the Alliance though enlightened public opinion and support.

Authors are Milton S. Eisenhower, Raúl Prebisch, José Figueres, Teodoro Moscoso, and Dean Rusk, who deal with historic roots, economic aspects, political goals, social change, and the context in world affairs of the Alliance, respectively. The text of the Charter of Punta del Este which established the Alliance is also included.

"Economic Aspects of the Alliance," constituting about half of the essay material and of primary concern to economists, makes a case for planning. Industrialization is the key to economic development and must play two dynamic roles: Supply-needed goods the region cannot afford to import; and the absorption of excess manpower from agriculture and other sectors.

Past industrialization patterns were characterized by static monopolies and the failure to fulfill both roles; new and unguided industrialization efforts are likely to be characterized by the adoption of labor-saving technology of the developed countries and the failure to fulfill the manpower absorption role.

Associated problems are agricultural development, education and technical training, income redistribution and capital accumulation, and combining internal and external resources.

The solution is planning with the quantification of targets and resources, along with the necessary government intervention, to reduce existing monopolies and to guide new efforts to a balance between labor-saving and labor-absorbing investment.

The other four essays are concerned with facets of the Alliance related to its central purpose of increased economic growth to raise living standards. The Alliance is viewed as the positive result of a long evolutionary process. Development financing problems are held small, political problems almost unsurmountable. Needed is a sense of urgency for the most important common venture of the Hemisphere.

The publication measures up to objectives and should prove stimulating and useful to developed economists.

Charles R. Davenport

International Economic Instability—The Experience After World War II.

Concern over international economic instability is not new; it has been evident at least since the end of World War I. But the emergence of new nations with the attendant worldwide revolution of rising expectations has now forced countries to take steps, and rapidly, to remove as much of the instability as possible through stabilizing economic arrangements. Post-World War II institutions such as the International Monetary Fund and the International Bank for Reconstruction and Development are but two of many mechanisms which over the years have been developed to reduce instability. Today concern is directed primarily to those popularly called underdeveloped countries where extreme shifts of export earnings, often arising out of the proceeds of one or two commodities, cause volatile swings in the national income with serious unstabilizing effects. In International Economic Instability the author attempts to analyze the problems created by international economic instability. His approach is statistical.

The author has chosen export proceeds as the "primary dependent variable" in measuring international economic instability and, adopting the log variance method of measurement, develops for the years 1946-1958, indexes of instability for 83 countries based on the movement in export proceeds. This measure of instability is also used for several other variables which seem to bear on instability of export proceeds. The index meas.
ures typical year-to-year relative changes corrected for trend influences. Removal of trend influences is necessary since they were so strong in the postwar period that without correction to remove, it would not have been possible to isolate the fluctuations important to the author’s analysis. Annual figures are used, thus eliminating purely seasonal influences, the author properly recognizing, however, that annual data clearly understate the actual fluctuations.

Instability indexes are developed for all the major countries, both for exports and for imports. The author carries his analysis beyond the individual country to regional and political bloc groupings. Some mildly surprising results emerge. The instability resulting from swings in exports is not nearly so high for Latin America as is commonly assumed. Argentina is an exception with an instability index of 36.8 compared to Iran with the highest, 73.8, and to Switzerland with the lowest, 6.2. The United States has a relatively low index of 16.8, but because of the magnitude of its international trade relative to total trade of supplying countries makes a high contribution to instability.

Export instability tends to be greater in Asia and Africa than in other continents, although the range of dispersion within each continent is wide. As one might expect, imports are much more unstable in Asia, South America, and Africa than in Europe and North America. The median instability index for Asia (29.6) is twice as large as that for North America (14.5). Even to note the entire range of the author’s analysis is beyond the scope of this review. One or two important generalizations can be made:

(1) There is a distinction between the incidence among countries of high instability of trade (exports, imports, or both) and the incidence of a high percentage share of world instability of trade, and (2) the United States is not as important a factor in international economic instability as is widely assumed.

Thus it seems obvious that it is one thing to take measures to reduce the instability of exports or imports, or both, of countries with high instability indexes, but it is something very much different to take measures to reduce the instability of world trade generally. The two characteristics do not show a high positive correlation among countries.

Almost the entire book is given over to the statistical analysis. This analysis is both rigorous and elegant, but not entirely satisfying, as too few of the important conclusions arise out of the analysis. The author recognizes this in his concluding chapter and admits that his empirical study of international economic instability provides few positive prescriptions for governmental or intergovernmental policy for reducing such instability. Statistical analysis is not needed to know that the stabilization of prices and quantities will stabilize proceeds. But the author’s work does show that manipulation of some single, indirectly connected variable, i.e., other than price and quantity, is very unlikely to have much influence on export instability.

The author, in his service with the United States Department of State from 1945 to 1955 as an economic advisor, and in 1961–62 as Director, Foreign Economic Advisory Staff, Office of the Under Secretary, has dealt directly with the problem of international economic instability. He indicates his awareness of plans, now under consideration in international economic circles, for compensatory financing when the export proceeds of a country fall by more than a reasonable amount. His policies for dealing with international economic instability show a practical concern with and knowledge of the problem. Despite the interest of his statistical work, the tenuously related practical conclusions are probably his more satisfying contribution to an ultimate solution.

Warrick E. Elrod, Jr.

Factors Affecting the United States Balance of Payments


This volume of 24 papers by 20 authors is a timely exploratory analysis of the U.S. trade and balance of payments problem. The wide attention our balance of payments has received since 1958 is the result of record payments deficits. A loss of monetary gold reserves totaling $6 billion and a buildup of dollar assets abroad now totaling over $25 billion resulted. Even with the improved payments position in 1962, the