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**Stability and Progress in the  
World Economy**

STABILITY AND PROGRESS  
IN THE  
WORLD ECONOMY

*The First Congress of the International  
Economic Association*

EDITED BY  
DOUGLAS HAGUE



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## FOREWORD

THE International Economic Association, which was formally created in 1950 to promote closer relations between the economists of different nations and to contribute in that way to the development of the science of economics, had worked during the first five years of its life principally through the holding of small annual conferences of invited specialists in different branches of the subject. It was decided that in 1956, on the occasion of the third triennial meeting of the Council of the Association, there should be held for the first time a Congress, open without limitation to any member of the various national associations of academic economists affiliated to the International Economic Association. It was the purpose of the Association to provide in that way, to a larger and wider audience of economists, the opportunity of meeting and discussing with economists of other nations.

It has from the first been a tradition of the International Economic Association to organize its conferences about a single general theme. On this occasion that method was once again followed, and the theme chosen was that of 'Stability and Progress in the World Economy'. It was my task, as President at that time, to enlist a group of distinguished economists, representative of different nations and different schools of economics, to deliver addresses to the Congress on five different, but inevitably not wholly separate, aspects of our general problem. We were exceedingly fortunate in persuading Sir Dennis Robertson, representing with great distinction English economics, to give the first address. He was followed by Professor Viner, an equally distinguished and equally appropriate representative of American economics. In Professor François Perroux we were particularly fortunate in securing the opportunity of hearing one of the most eminent and original of French economists. Professor Haberler, first President of the Association, was exceptionally qualified to represent on this occasion the Austrian as well as the American tradition. Finally came Professor Lundberg, as one of the most distinguished of the great Scandinavian school of economics. To all of these we owe a great debt of gratitude.

To open the subsequent discussions we invited for each of the five sessions two scholars. The talent that we secured will be obvious when I say that those who consented to perform this task

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were Professor Dupriez of Belgium and Professor Keirstead of Canada in the case of Sir Dennis Robertson's paper ; Professor Vakil of India and Professor Nurkse of the United States for Professor Viner's paper ; Professor Hicks of the United Kingdom and Professor Schneider of Germany for Professor Perroux's paper ; Professor Lindahl of Sweden and Professor Papi of Italy for Professor Haberler's paper ; Professor Byé of France and Professor Lewis, representing — we would like to think — the West Indies as well as the United Kingdom, for Professor Lundberg. To all of these we would wish to extend our warmest thanks. The measure of their contribution was best seen in the liveliness and interest of the subsequent discussions, here recorded by Professor Hague.

May I conclude by expressing our special thanks in two respects? We are greatly indebted to Professor Papi as Rector of the University of Rome and to his colleagues for their generosity in putting at our disposal the buildings and facilities of his university and thus adding immensely to the comforts of the Congress. On the Sunday that fell within the Congress a number of the participants had the honour of being received in private audience by His Holiness the Pope. We are grateful for the permission that we have been given to print in this volume the address that he delivered on that occasion.

May I express my hope that, through the publication of this volume, the deliberations of the Congress may prove of value to an audience even wider than the four hundred or more, drawn from almost every country of the world, who heard them at first hand?

HOWARD S. ELLIS

BERKELEY, CALIFORNIA,  
*October 1957*

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## ADDRESS

### THE SPEECH OF HIS HOLINESS POPE PIUS XII DELIVERED AT CASTEL GANDOLFO ON SUNDAY 9<sup>TH</sup> SEPTEMBER 1956

ON the occasion of the First Congress of the International Economic Association, you have wished, Gentlemen, to come and inform Us of your work and give witness of your devotion. We are very appreciative and are glad to welcome you as representing the most distinguished practitioners of economic science. By your teaching in universities, by your publications and by the authoritative views which you express, you undoubtedly exercise an influence of the highest importance on contemporary society, where economic factors so greatly influence other aspects of social life.

The present Congress continues with distinction your series of yearly meetings devoted to the study of particular economic problems, which constitute the chief activity of your Association. Founded in 1949, at the instance of UNESCO, this Association aims at stimulating the development of economic science through international collaboration, and at present links twenty-five national associations from four continents. This is an indication of the interest which your deliberations will arouse in the world, among all those who strive for the best in public affairs.

‘Stability and Progress in the World Economy’: such is the theme which you have chosen, and this simple title is itself sufficient to evoke the difficult, and occasionally formidable, alternatives which the economist must frequently face. In the vast social organism, whose different sectors mutually influence and condition each other, it is impossible to act on one sector without disturbing all the others and being obliged to allow for compensatory measures. So, for example, it is dangerous to increase industrial output without assuring markets for the goods produced; to change the volume of money in circulation without taking into account the corresponding volume of trade transactions; to strive for full employment without forestalling the danger of inflation. And yet the law which governs all human activity, that is, the law of progress, imposes changes and improvements which cannot come about unless there is temporary

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disequilibrium. The great concern of the specialist must consequently be to keep to a minimum the harmful effects of the measures he advocates, to profit from favourable circumstances whilst avoiding the harsh penalties of periods of crisis. On the international plane, serious differences exist at present between the poor countries, which are becoming more and more aware of their immense economic needs, and the countries which are liberally provided with both the necessities and the luxuries of life. In these underdeveloped areas progress is desired and sought after, sometimes violently, and not without dangers for world peace.

Thus the task of the economist is demonstrably wider, more arduous than ever, and even more fraught with responsibility. On a planet where distance counts for less and less, and where ideas spread with lightning speed, the destiny of mankind becomes always more indivisible. The decisions of every statesman, and those of the experts who execute them, have repercussions on the lives of thousands and millions of men, sometimes bringing welcome improvement, sometimes dramatic disturbances. This is clearly no time for risky theories, for artificial arrangements, satisfying perhaps to the abstract theorizer, but in profound disagreement with reality, because some mistake has vitiated their original assumptions. That is why you can never weigh carefully enough the conclusions and judgments which you reach, or be sufficiently certain of their scientific accuracy, that is to say, their full conformity with the rules of human thought and behaviour and the concrete facts of economic reality. Without wishing to enter into a technical discussion, We should like, Gentlemen, to share with you some short reflections which this occasion suggests to Us.

Economic science achieves its results, like other branches of modern thought, by setting out from the observation of facts. But if the physiocrats and the representatives of classical economics thought they had produced a weighty doctrine by treating economic facts as if they were physical and chemical phenomena, bound by the determinateness of the laws of nature, the falsity of such a conception was shown by the crying contradiction between the theoretical consistency of their system and the terrible social distress which they allowed to persist in the real world. The rigour of their analysis could not make up for the weaknesses of their initial hypothesis. In looking at economic facts they had only considered the material, quantitative elements, and had ignored the essential human element ; the ties which link the individual with society and impose on him not material but moral rules which determine how he should use material possessions. Taken away from their common uses, these possessions

## *Address*

became the means of the exploitation of the weakest by the strongest under the sole rule of pitiless competition.

To remedy this failing, Marxism tried to reintroduce social values into economics and to ensure that owners of the means of production did not monopolize them for their own exclusive benefit. But, by a no less disastrous mistake, Marxism claims to see man purely as an economic agent, and makes the whole structure of human society depend on productive relationships. While he may no longer be subjected to the arbitrary play of the power of money, man now finds himself hemmed in and crushed by the social order of a society which has grown harsh through the elimination of spiritual values, and which is as pitiless in its reactions and demands as the caprice of individual wills. At both these extremes, there has been a failure to look at the economic order in its full breadth, at once material and human, quantitative and moral, individual and social. Beyond the physical needs of man and the interests which they imply, beyond his place in the social system of production, it is necessary to envisage truly free activity, both personal and communal, for each individual in the economy. He, when he produces, buys, sells or consumes goods, is motivated by a specific intention, which may be simply the satisfaction of a natural appetite, but may also be the expression of a wholly subjective attitude, governed by sentiment or passion. So, by reason of personal conceit, prestige or vindictiveness, the whole direction of an economic decision may be changed. Moreover, these factors introduce, especially into economics, disturbances and difficulties which do not come within the scope of a true science. So it is necessary to go still higher and to recognize the importance of the truly free personal decision, that is to say, the fully rational and justifiable decision, which can consequently be introduced as a positive element in the construction of a science of economics. Eminent representatives in your special field have strongly stressed the true rôle of the entrepreneur and his constructive and determining action on economic progress. Above the subordinates, who simply carry out work as prescribed, are the men in charge, those with initiative, who stamp events with the marks of their individual personality, discover new paths, provide a decisive driving force, transform methods, and raise the output of men and machines to an astonishing extent. And one would be quite wrong to think that such action always coincides with their own interest and only responds to selfish motives. One should compare it rather to scientific inventions or to works of art, that spring from disinterested inspiration and are directed much more to the whole of the human community, which they enrich with new knowledge and more powerful operative

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media. So, in order to assess economic facts accurately, economic theory must allow simultaneously for aspects which are material and human, personal and social, free, yet at the same time fully logical and constructive, as required by the true meaning of human existence.

Doubtless many people, in their everyday conduct, usually obey the natural and instinctive tendencies of their being. But We prefer to believe that there are few who are incapable, at any rate in critical moments, of making their altruistic and disinterested sentiments prevail over their concern with material interests. Recent events have again shown how far, even among the most humble and underprivileged, solidarity and devotion express themselves in moving and heroic acts of generosity. It is one of the most fortunate features of the present age that it increases the feeling of mutual dependence between the members of society. It leads them to realize that a human being only reaches his true stature if he recognizes his personal and social responsibilities, and that most human, or purely economic, problems will only find their solution through a sincere effort of understanding and of mutual goodwill.

Perhaps We may be allowed to extend this perspective further, recalling a word of the Gospel, which explains the Christian approach to the problem of the production and use of material wealth. 'Seek ye first the Kingdom of God and His justice, and all these things shall be added unto you' (Matt. vi. 33). Even as a subject of economic studies, man can never introduce a complete dichotomy between the temporal goals which he pursues and the ultimate end of his existence. The words of Christ have led to a veritable revolution in the established ways of looking at the relation between human beings and the material world. Do they not suggest, in fact, that as far as possible economic constraints should be cast off, to put all of man's thought and all his powers at the service of a divine order? They teach mastery over that instinct which impels men to enjoy riches without any curbs. They invite men to choose poverty as a means of personal liberation and of social service. Even in our modern times, avid for wealth and pleasure, there is no lack of souls noble enough to choose the way of detachment and to prefer spiritual values to all that vanishes with the passage of time.

If the work of economists does not touch directly on this plane of reality, they can still find their orientation in a unified concept of their science, which gives a place to such behaviour and to the principles on which it is based. They will find there, We are certain, some very useful inspiration.

We hope, Gentlemen, that your Congress will end on a confident note, despite the numberless perils which mark the path of progress

## *Address*

with stability. If all have the courage to face these difficulties without deceiving themselves or falsifying any aspect of reality, We have no doubt that you will soon be able to congratulate yourselves on the results of your efforts, and take them up again with more enthusiasm than before, strengthening between you the bonds of a close and fruitful collaboration.

In token of the divine favours which We earnestly invoke on you, your families and all those who are dear to you, We impart to you from a full heart Our Apostolic Blessing.

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