

defend disloyalty—as we have seen in the case of our own atomic scientists—must themselves have little commitment to the country they live in. The alienation goes back directly to the shift in the political and economic balance which followed the industrial revolution. At that time, and since then, the intellectual has seen himself as the perpetually frustrated Pretender to power. The scientific revolution of the 1940's has projected the scientist-intellectual into an eminence hitherto unknown to him. The scientist has accepted that eminence as a mandate to accept or veto the rules of the state and the will of the body politic.

The belief in this mandate depends on an "unsound assumption that the man who possesses a special gift will possess also a universal wisdom which will enable him to impose an order on the state superior to that contrived by the consultative system known as democracy; which will enable him, in fact, to know other people's business better than they do themselves."

This explains Fuchs, Bruno Pontecorvo, Nunn May, and the other scientists who took the law into their own hands. It negates the claims of those who argue that nuclear theory and technology were supplied to the Communists in the interest of free scientific interchange. It focuses a beam of light on the tragic murk of the Oppenheimer case.

For all the fascination of Miss West's account, and for all the wealth of detail she brings to the sordid tale, her probe of the scientific mind may, however, contradict her contention that its treason is "new." Is it not, after all, simply a translation into modern ideology of the *trahison des clercs*?

Reviewed by RALPH DE TOLEDANO

The German Example

Germany's Economic Dilemma: Inflation and the Balance of Payments, by Patrick M. Boarman. *New Haven: Yale University Press, 1964. xx+344 pp. \$7.50.*

WHETHER THE German economic recovery following the currency reform of 1948 is properly described as a miracle may be open to question, but that it has been a source of constant embarrassment to the practitioners of the "new economics" there

can be no doubt. To the followers of Lord Keynes it was quite inexcusable that a country which adhered strictly to a policy of monetary discipline with minimum intervention by the government in the market should have gone, within ten years, from a state of complete stagnation to one of affluence; that it should have experienced an annual increase in total productivity at some two or three times the rate of the United States, and labor shortages and foreign exchange surpluses while the United States and Britain were suffering from chronic unemployment and deficits. To the serious student of economics, however, this experience provides a rare opportunity to compare the immediate effects of different economic policies.

Professor Boarman, a student and disciple of Wilhelm Roepke, sets out in his new book, as he tells us, to inquire into "the causes and consequences of the chronic balance of payment surplus of West Germany in the period 1950-61." All this he most certainly does; and in his investigation of what might appear to be a rather limited problem of interest only to monetary specialists he gives us a really masterful exposition of how two conflicting theories have worked out in practice. A laboratory experiment in the field of economics, of course, is out of the question, but the sharply divergent economic policies followed by several governments in the post-World War II period, with their strikingly different consequences, give us an opportunity for analysis and comparison which must be almost unique in history, particularly since ample data are available to enable us to discover exactly what happened. This is an opportunity which Boarman, using the analytical tools gained from close association with the man who played a decisive role in formulating German economic policy, Wilhelm Roepke, has used to full advantage. His conclusions, we can be sure, will not be pleasing to the doctrinaire Keynesians—to those, that is, who believe that government deficits and low interest rates are necessary conditions for "vigorous economic growth," but they will find that Boarman's challenge cannot be easily ignored. He uses his terms with precision—he devotes a whole chapter, for example, to defining exactly what he means by "inflation"—and has skillfully organized a great mass of data to back up his argument. The result is an immensely informative, clearly written book.

One of the more interesting and enlightening sections of Boarman's book is his discussion of the relative growth of German and British exports in the period under consideration and the reasons for the greater German success. Taking exports in 1950 as 100, West German exports by 1961 had in-

creased to 464; those of the United Kingdom to 124. In absolute terms German exports began to exceed those of the U. K. in 1958, making West Germany the largest exporter after the United States in the world. German industry was more flexible, more aggressive, and more competitive in seeking export business than British industry, according to Boarman, largely because the German domestic economy was more competitive, and this because it wasn't artificially stimulated by inflation and because the tariff and anti-trust policy of the West German government encouraged competition. The fact that in this period the West Germans invested a far higher proportion of the national product into new plants and equipment also played a decisive role in the ability of the Germans to outsell the British. From 1950-59, according to Boarman, 97.7 per cent of the disposable income of the U.K. went into private consumption, in West Germany only 88 per cent. While British fiscal policy, even under the Tories, was strongly influenced by considerations of "fair shares for all," with confiscatory taxation of profits and incomes above a moderate level, Erhard's policy concentrated on increasing the national product. This, of course, meant permitting, even encouraging, corporations and individuals to earn and keep profits. The tax structure, to quote Boarman, "deliberately favored the creators of income . . . , it penalized sloth, inefficiency, and waste . . . output, not equality, was the watchword of the fiscal authorities." Boarman concludes his chapter on "Competition in Germany" with the sage remark that "the same factors that make for a booming domestic economy will tend to promote a booming export trade and a favorable balance of payments." Such an observation would have seemed so obvious a generation or two ago that to have included it in a serious study of economics would have been deemed superfluous; to the student brought up on the new economics, however, it will appear either as utter heresy or a great revelation.

A subject to which Boarman devotes much attention is the danger the unprecedented growth of the German balance of payments surplus presented to the stability of the German economy, and the measures taken by the German monetary authorities to meet it. The monetary discipline which the Germans followed from fear of inflation resulted, in a world which didn't practice such virtues, in an im-

ported inflation. During the Kennedy Administration pressure was put on the Germans to relax and to permit "a little inflation" with the hope, no doubt, that this would take some of the pressure off the pound and the dollar, and some inflation has, of course, taken place in Germany. In the absence of the gold standard as it operated before 1914, Boarman points out, there is no way by which necessary adjustments can be made when a situation of economic imbalance between nations arises. Under the old gold standard adjustments took place automatically, and before the situation had gotten far enough out of balance to be serious; now we go from crisis to crisis, each solved by monetary juggling which does nothing to alleviate the basic cause of the trouble. It has been suggested that the problem of foreign exchange surpluses in some countries and deficits in others be met by setting up an international central bank which would have the power to create money, a proposal Boarman very neatly shows wouldn't solve anything either. The British and American balance-of-payment problems will be solved only by practicing the old-fashioned virtues of monetary discipline.

In reading such a book as Boarman's one is struck by the factors which influence national policies. The Germans didn't reject the advice generously offered to them by Professors Heller and Harris because they were any more intelligent than we: they had experienced two disastrous inflations and an almost fatal dose of a state-directed economy. The traumatic experience which made Professor Roepke seem to the Germans to make more sense than Professor Heller was inflation, the utter horror and devastation of which none of us, probably, can appreciate who has never experienced it. The traumatic experience which dominates American and British policy, on the other hand, is the mass unemployment and economic paralysis of the 1930 depression. The Germans experienced that too, of course, but having had the Hitler form of the welfare state and its consequent inflation on top of it, the effects seem to be sharply different. Professor Boarman gives us an opportunity to learn something from the painfully acquired experience of others; it would be pleasant to think that those responsible for economic policy in this country would take advantage of it.

Reviewed by HENRY REGNERY