

# Book Reviews

*Exchange and Trade Controls.* By Jozef Swidrowski. Epping, Essex (U.K.): Gower Press Ltd. 1975. xiv + 342 pp.

A study on Exchange Control would be incomplete if it failed to consider trade and other controls. Jozef Swidrowski in this book has covered all types of trade and payments controls. Although economists, traders and investors are all opposed to all sorts of controls, controls have been consistently applied by administrators and policy makers not only in times of economic crises or instability but also, at times, even in periods of normalcy.

The book is divided into eight chapters. The first four chapters deal with the general and practical aspects of controls as well as with their technicalities, operations and requirements. Chapter 5 deals with controls on international trade transactions. An analysis of controls on current non-trade transaction is contained in Chapter 6. Chapter 7 highlights controls on capital flows. The last chapter is devoted to a survey of the developments since 1971.

The book serves two purposes: it is an exhaustive description of the myriad of controls over trade and payments systems, and it discusses virtually all countries and all types of controls used since the 1930s. Written by a person who, by virtue of his having been a career-employee of the IMF for a long time, has had the opportunity of studying the subject most closely, the book offers a complete and detailed review of the possibilities for trade and payments controls.

The author states that with exchange controls, central banks, deliberately or accidentally, become increasingly competitive with authorised commercial banks in the field of exchange operations and thus cause reduction in their profits. The author should have elaborated the way in which the exercise of controls by central banks over the authorised banks causes the former to become competitive with the latter. In the presence of different sets of rates, one between traders and authorised banks and the other between authorised banks and the central bank, where does the competition, 'deliberate' or 'accidental', lie?

The statement sounds fascinating that to promote exports the authorities may fix official buying rates as high as possible, even above the basic exchange rates, and that to reduce the effects of controls on prices of specified imported goods they may establish a selling rate as close to parity as possible. It implies that foreign exchange is bought by authorities at a premium and then sold at a discount. The author has failed to substantiate his argument or cite countries which have resorted to such tactics. The more likely practice appears to be based on the principle, "buy cheap and sell dear". In the case of Pakistan, at least, that has been true.

The interesting and best part of the book is Chapter 8 wherein the author has described events following August 1971. The author presents a complete description of reactions to the U.S. decision to end gold convertibility, and of individual countries groping for ways to cope with the problems (and possibly to exploit the opportunities) created by the U.S. decision. He suggests that a 'final and lasting' solution to current monetary problems could be found in broad international cooperation. At the same time, he has grave doubts that such a solution could be achieved in the short run.

It is stated that several of the primary producing countries might establish or extend state trading and nationalise domestic and foreign enterprises. Such actions could coincide with the extension of controls. As a matter of fact, state trading experience has already met a fair success in primary producing countries and the chances are that recourse to such measures will be taken quite frequently by developing countries.

In the final analysis, the author thinks that international economic organisations will maintain their rates at the pre-1971 level. In the opinion of this reviewer, that does not seem likely; the quest for a new monetary order is bound to change the role of international organisations and may possibly reduce it.

The *Exchange and Trade Controls* is an informative book dealing with one of the most important issues of our times. Those interested in practical aspects of exchange and other controls will find its study illuminating and worthwhile.

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*Foreign Trade Regimes and Economic Development : TURKEY.* By Anne O. Krueger. New York: Columbia University Press 1975. (Published by the National Bureau of Economic Research, Inc., New York) xxiii + 339 pp. Price \$ 17.50 for hard cover; \$ 5.00 for paperback.

The book is the first of a series of studies on Exchange Control, Liberalization and Economic Development sponsored by the National Bureau of Economic Research, New York. The ten-country study, of which the book under review is a part, provides an in-depth analysis of three major areas: The anatomy of exchange control along with its implications, the episode of the liberalization of the payments regime, and the relationship of growth with the exchange control regime. The findings of the individual country-studies have been consolidated in an overall synthesis. However, each study is complete in itself in accordance with the needs of scholars having an interest in only some of the studies.

The book under review seeks to analyse Turkey's trade and payments regime and the effect that the latter has had on the country's economic growth. Whereas quite a few other factors are instrumental in development (e.g. agricultural productivity, levels of education, political and social stability, etc.), the focus on foreign trade alone is justified by the author on the grounds of the tremendous amount of government influence in foreign trade. Moreover, the author believes that an intensive study of the trade-growth relationship is more rewarding than a general survey of all factors related to economic growth.