Mayer on Monetarism: Comments from a British Point of View

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I.

As *Mayer's* paper* has so lucidly shown, the boundaries between "monetarism" and other schools of thought are hazy indeed. Monetarist propositions, though inter-related, are not always logically interdependent. This surely reflects the fact that monetarism is not some rigid orthodoxy but rather an ongoing, expanding, and above all pragmatic body of doctrine. This being so, what is called " monetarism", and what appear to be its characteristics are bound to differ from context to context. *Mayer's* paper — and this is no criticism of it — has dealt with monetarism as it is understood in the United States.

Two aspects of monetarism have been of more importance in British debates about macroeconomic policy than they have in the United States. The question of unemployment versus inflation as competing goals of economic policy has been central to these debates as have questions about the conduct of policy in an open economy. These differences in emphasis stem from two sources. First, it is a fact of British political life that far more emphasis is given to the continuous maintenance of high employment as an aim of economic policy than in the United States. Second, Britain is a small, or at best medium sized, economy deeply involved in foreign trade. Any body of economic doctrine must be adapted to accommodate these facts if it is to be applied succesfully to the British economy. *Mayer* discusses the first of these two matters only briefly and the second not at all. I have little to quarrel with in the substance of his paper, and believe therefore that the most useful contribution that I can make to the discussion and debate that it is bound to provoke is to supplement *Mayer's* commentary on monetarism by dealing with these two questions in some detail. I will take up these two

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* Kredit und Kapital, Vol. 8 (1975), pp. 191 - 215 and 293 - 313.

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problem areas in turn, dealing first with the choice between inflation and unemployment as policy goals.

II.

Mayer argues that monetarists show "a relatively greater concern about inflation than about unemployment compared to other economists" but that differences here hinge largely on ethical judgements and are peripheral to the main thrust of the Monetarist-Keynesian debate. Though he may be right in the context of American debates, British monetarists have always shown as much concern for the maintenance of high employment as have their "Keynesian" opponents; at the same time British Keynesians have on the whole been proponents of the maintenance of a fixed exchange rate, and for that reason if no other have not been vulnerable to the charge of underrating the seriousness of inflation as an economic and social problem.[1] Even so differences of opinion about appropriate policies towards inflation and unemployment are extremely sharp in Britain. They reflect fundamental differences over economic theory and facts, however, not over social values. The British monetarist regards inflation as a macroeconomic problem to be dealt with by macroeconomic means and argues that, given appropriate macroeconomic policies, unemployment becomes a problem for microeconomic analysis and policy. The British Keynesian take a diametrically opposite view.

The basic of the monetarist's case is straightforward enough. It follows mainly from his belief in the quantity theory of money and in a real *Phillips* curve, as well as in the inherent stability of the private sector, again given that the appropriate monetary policy is pursued.[2] The real *Phillips* curve doctrine is equivalent to the proposition that

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[1] Cf. for example, the *Radcliffe* report, where the whole thrust of the discussion of policy towards inflation is premised on the desirability of maintaining a fixed exchange rate.

[2] This qualification is important: one can believe that the private sector is stable given that a money supply rule is pursued but expect it to be extremely unstable if monetary policy is geared to pegging the level of nominal interest rates. Given the focus on the level of nominal interest rates as the centrepiece of monetary policy in Britain, there has been a good deal of cross purposes in the monetarist debate in that country. Monetarists when they talked of a "given monetary policy" meant holding the money supply on a given time path while Keynesians, meant maintaining a given level of nominal interest rates. On these matters cf. *Laidler* 1973.

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there exists at any moment a "natural rate of unemployment" in an economy. This view in turn implies that any attempt to hold the actual unemployment rate below that natural level will involve ever accelerating inflation. At the same time the existence of a stable aggregate demand for money function implies that ever accelerating inflation will be impossible without ever accelerating monetary expansion. Thus these two hypotheses immediately force the monetarist to conclude that the pursuit of a stable inflation rate must involve the abandonment of any attempt to influence the economy's equilibrium unemployment rate by macro policies. Furthermore his belief in the stability of the private sector leads him to conclude that, given the pursuit of a stable inflation rate — which must involve a steadily growing money supply — the economy will in fact converge upon its natural unemployment rate. His view of the stability of the private sector is quite compatible with the Keynesian hypothesis about the relative instability of the marginal efficiency of investment — here perhaps I disagree with *Mayer*[3] — for what is required for stability in the private sector when the money supply is following a steady growth path is that the demand for money function be sufficiently stable and sufficiently interest inelastic for fluctuations in the marginal efficiency of investment to result in interest rate fluctuations rather than in disturbances to output and employment, not that the marginal efficiency of investment schedule remain stable.[4]

Now of course there is nothing here to imply that the natural unemployment rate will always rule. The foregoing argument does not make a complete case for letting the unemployment rate look after itself as far as macroeconomic policy is concerned. Vital to making a complete case is one of those characteristics of monetarism which are pervasive and yet not logically interrelated with others: namely scepticism about how much is known in quantitative terms about the actual economy. The monetarist cannot deny the logical coherence of a policy scheme that would have the natural unemployment rate actively pursued as a target by the use of discretionary monetary and fiscal measures — but in the absence of any reliable evidence as to its value he is pessimistic about the practicality of such a policy.[5] Given his views of the costs in terms

[3] Cf. *Mayer*, pp. 204.

[4] Cf. fn. 2 above.

[5] Moreover, there is no reason to suppose that the natural unemployment rate will remain constant over time — it can be influenced by demographic and institutional changes in a manner that, in the present state of knowledge, is ill understood, and hence virtually impossible to predict.

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of accelerating inflation that would be involved in underassessing the value of the natural unemployment rate and then pursuing that target he prefers macro, particularly monetary, policy to be geared to achieving a stable inflation rate.[6]

This does not mean that the monetarist must be content to let the unemployment rate look after itself however, for if he believes that the economy will converge on, and fluctuate about, its natural unemployment rate, when steady monetary expansion is maintained there is no reason why he should regard such a natural rate as socially desirable.

In a British context, monetarism is strongly associated with a concern for the design of policies that will lower the natural unemployment rate — that will shift the *Phillips* curve to the left.[7] Such policies of course are aimed at influencing the structure of labour markets and involve measures designed to enhance both the occupational and geographical mobility of labour. In the British context, such policies might well involve the removal of particular government interventions that are thought of as reducing labour mobility — the withdrawal of rent control and public housing subsidies for example — but they might also involve the expansion of government sponsored retraining schemes or indeed of subsidies to employment in depressed regions of the country. Thus British monetarism is far from being unconcerned with unemployment or ideologically committed to a completely free market solution to the problem. Rather, the feature that distinguishes it from Keynesian orthodoxy is that it regards unemployment policy as being fundamentally a matter of microeconomics.

The whole thrust of Keynesian orthodoxy is to make the unemployment rate the central target for aggregate demand policies.[8] It is not

[6] In the British context it is important to look at the interconnectedness of monetary and fiscal policy that arises from the government budget constraint. The central government's borrowing requirement is an important source of monetary expansion. The relative independence of monetary and fiscal policy that is so often taken for granted in United States discussions of aggregate demand management is much less a feature of the British economy.

[7] Thus there is nothing inherently monetarist about this aspect of British monetarism. Such concern has been common to all schools of thought. For a discussion of the unemployment problem by one who is usually regarded as a monetarist see *Britian* (1975).

[8] For an example, see the evidence of the Treasury representatives as reprinted in House of Commons (1974); for an earlier example see the *Radcliffe* report.

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always clear whether Keynesians view variations in aggregate demand brought about to influence the unemployment rate as having a systematic influence on the inflation rate or whether they take the view that the time path of wages and prices is determined by sociological factors that operate exogenously on the economic system.[9] Nevertheless they do seem to be united in the view that appropriate policies towards inflation involve direct controls on both wages and prices. In short, the Keynesian's relatively greater concern with the behaviour of individual prices noted by *Mayer* leads him, particularly in a British context, to advocate an essentially microeconomic approach to the control of the price level.

Thus, when discussing macroeconomic policies, the British monetarist emphasises the inflation rate as a policy target and the Keynesian the unemployment rate, not because of any difference in ethical judgement, but because of a straightforward scientific difference about which variable macro policy is best adapted to influencing.

III.

I have already noted that Britain is a relatively small open economy, and any analysis of its policy problems must take note of that. I believe that it is possible to distinguish what we might term *a monetarist view of inflation as an international phenomenon, a monetarist view of the transmission of inflation between countries* as well as *a monetarist view of the central problems of international monetary reform.* None of these views originated in Britain, nor has their recent development been solely the work of British economists. Nevertheless they are particularly relevant to any open economy and hence are important in a British context. *Mayer,* writing in the context of the relatively closed U. S. economy does not deal with these issues, and it will be useful to devote the last few pages of this essay to their discussion.

As *Mayer* has rightly noted, monetarism concentrates on explaining the behaviour of the general price level — which is after all but the inverse of the price of money — and tends to downplay the significance of the behaviour of particular prices; this is part and parcel of the belief

[9] *Harrod* (1972) and *Wiles* (1973) are two particularly extreme examples of the view that the causes of inflation are sociological. Reading the evidence of Lord *Kahn* and Mr. *Posner* to the House of Commons expenditure committee, or indeed of the Treasury representatives would suggest that they accord some, albeit marginal, influence on the inflation rate to aggregate demand variations. Cf. House of Commons (1974).

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that allocative detail is at best of secondary importance while studying the macro economy. But if one is to study aggregate phenomena, he must form a view of what is the relevant aggregate for study. The existence of inflation and unemployment as national political problems certainly means that data aggregated to the level of the national economy have to be understood and explained, but it does not follow from this that the boundaries of the nation state also constitute the boundaries of "the economy as a whole" to which macro theory is most usefully applied. This problem exists, or ought to exist, for the Keynesian as well as for the monetarist, but the latter, with his emphasis on the quantity of money as a key macroeconomic variable naturally draws the boundaries of his macro economy around the area served by a common currency.

Adherence to the quantity theory of money would necessarily imply that, in a world of rigidly fixed exchange rates between freely convertible currencies, the relevant variable to explain in terms of the quantity theory would be a price index computed for the world economy. Though the Bretton Woods system did not provide either for completely fixed exchange rates or completely free convertibility, British monetarists have nevertheless taken the view that the international monetary system as it existed up to the end of 1971 was a sufficiently close approximation to the theoretical ideal type to make it appropriate to analyse the inflationary process of the level of the world economy. They have then gone on to treat questions about inflation in any one country as having to do with the mechanisms whereby inflationary impulses are transmitted into particular "regions" of the world economy rather than as being matters to be dealt with by theories of the generation of inflation.[10]

This approach to the problem of inflation in the world economy is markedly different from that taken by Keynesians. They do not ignore the international aspects of inflation, but do not seem to regard the concept of a "world price level" as a useful one. In their discussions of inflation as a world-wide phenomenon they concern themselves instead

[10] The seminal work on the monetary theory of the balance of payments is, of course, by *Johnson* (1973) — but written and widely circulated much earlier — and *Mundell* (1971). The most coherent account of these matters as they influence the Monetarist debate is given by Harry G. *Johnson* (1972). See also *Laidler* and *Nobay* (1975). A good deal of empirical work testing the stability of a "world" demand for money function and a "world" real *Phillips* curve has been carried out by my former colleagues at Manchester. Cf. *Gray* et al. (1975), *Duck* et al. (1975).

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with the behaviour of the prices of particular commodities for which world-wide markets exist: oil and other raw materials, agricultural products and so on. They focus on these individual markets as sources of inflationary pressures that are common to all open economies.[11] The contrast between the monetarist and Keynesian approach to inflation at the level of the world economy thus reflects a distinction already referred to above, and noted by *Mayer*. The monetarist is mainly concerned with the behaviour of an aggregate price index and the Keynesian puts more emphasis on analysing the behaviour of the prices of individual goods.

But the monetarist cannot stop his analysis at the level of the world economy; national inflation rates are of vital importance, and he must therefore have a view about the way in which price behaviour in the world economy impinges on the individual country. A key element here is a theory of the international distribution of the world money supply.[12] The monetarist emphasises the influence of inflows and outflows of foreign exchange reserves on domestic money supply behaviour. He attaches less importance than does the Keynesian to the individual central bank's capacity to sterilise such influence by way of offsetting open market operations. While not denying the logical possibility of successful sterilisation in the short run, the monetarist takes the view that the effects of such operations on international interest rate differentials will be sufficiently important to ensure that capital movements accentuate the initial balance of payments disequilibrium and quickly undermine any sterilisation operations.

It would be wrong to attribute to the monetarist the view that inflationary impulses are transmitted to particular countries solely or even mainly through the operation of flows of reserves on domestic money supplies. If it makes sense to talk of a world price level, it must also

[11] This certainly seems to be the view of Sir John *Hicks*. Cf. *Hicks* (1974), (1975) it is worth noting in passing here that in the latter paper *Hicks* agrees that the core of the difference between Keynesians and Monetarists (implicitly in a British context) lies in their views on the manner in which the labour market works and in particular in their views on the *Phillips* curve. Unfortunately he then attributes to monetarists a belief in a nominal rather than in a real *Phillips* curve so that his subsequent criticism of his opponents becomes completely misplaced.

[12] Not to mention a theory of the generation of the world money supply'. Monetarists have been slow indeed to provide a properly worked out analysis of this aspect of their position. However such work is now forthcoming cf. *Swoboda* (1975) and *Parkin* et al. (1975).

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make sense to talk of a world market for goods and services — or at least in so-called tradable goods and services. The domestic prices of such tradables must then be viewed as being determined in world markets; fluctuations in the world inflation rate thus impinge directly upon the domestic inflation rate by what may be termed a direct "price transfer mechanism". Flows of foreign exchange reserves ensure that domestic money supplies accommodate to variations in domestic prices thus induced, rather than in any sense causing them.[13]

There are several variations on the broad outlines of the mechanisms just sketched. Some monetarists view the price transfer mechanism as simply reflecting the proposition that the law of one price holds true across national boundaries for any good which can be arbitraged; others focus on the way in which inflationary expectations enter the expectations augmented (or real) *Phillips* curve, and argue that the time path of prices in the world economy exerts an important influence on price setting behaviour in domestic markets.[14] Though there is no uniformity here, monetarist analysis is nevertheless rather sharply distinguished from the Keynesian approach to the international transmission of inflation. This either focusses upon rising import prices particularly of food and raw materials as a "cost push" factor influencing domestic inflation as already noted above, or upon somewhat ill specified demonstration effects transmitting labour force "militancy" across national boundaries.

The foregoing discussion was premised upon the existence of a system of fixed exchange rates, and such a system broke down in 1971. There

[13] If this view of the international transmission of price level fluctuations is correct, then the possibility of sterilising reserve flows, though it might give an individual country power over its money supply, will not give it complete power over its price level. The sterilisation of reserve inflows in the face of a world-wide inflation can influence the domestic level of income and employment and the domestic prices of non-tradables, but nothing else. Perhaps this factor accounts for the failure of Germany to keep out world-wide inflation without resort to revaluation in the early 1970's.

[14] The first of these views is also the earlier, underlying such papers as *Dornbusch* (1973) and *Mussa* (1974). *Cross* and *Laidler* (1975) found that such a view did not perform well empirically and were able to show that the expectations based approach to the international transmission of inflation, though not without problems, was strongly to be preferred on empirical grounds. Note that subsequent work reported in *Laidler* (forthcoming) showed that the expectations approach performed better than a "cost push through import price inflation" hypothesis of the international transmission of inflation.

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is now a rapidly growing monetarist literature on flexible exchange rates, based, as would be expected from the above analysis, upon the quantity theory of money determining national price levels, and some variant or other of the purchasing power parity doctrine determining exchange rates. This literature is still in a tentative state. Moreover there is no unified monetarist position on the relative merits of fixed and flexible rates.[15] However, there does seem to be a distinctively monetarist view of the nature of current international monetary problems and the steps that must be taken in solving them, as I shall now argue.

A combination of the quantity theory of money and the monetarist view of the international transmission of inflation discussed above imply that, in the long run, a country can only control its own inflation rate if it can control its own money supply and hence only if it operates a flexible exchange rate. Pessimism about the possibilities of sterilising reserve flows suggest that, at least for relatively small countries, this "long run" represents a fairly short time horizon. Taken alone, this argument would push monetarists in the direction of favouring flexible rates, but other aspects of monetarism are important here. The view that money is a social device for economising on the use of resources in generating information underlies much monetarist analysis, particularly that which stems from the work of *Brunner* and *Meltzer*.[16] Thus the monetarist is acutely aware that exchange rate volatility is a source of inefficiency in the international economy.

If a flexible exchange rate scheme was associated with such volatility, and the opponents of such a regime frequently argue that it is, then the monetarist would find it hard to defend flexible rates. However his analysis tells him that flexible exchange rates will be volatile only if domestic monetary policies are volatile and divergent as between countries. He sees no reason for exchange rates to be volatile if all countries follow monetary rules. According to his view of the matter there would be an array of national rules which would ensure that flexible rates would in fact be essentially constant over time. In short, the very factor — the adoption of rules for domestic monetary expansion rates — that would ensure the stability of flexible rates would also make a regime of fixed rates feasible.

[15] The papers given at the 1975 Saltsjöbaden conference, to be published in the 1976 Scandinavian Economic Journal are an excellent source of recent Monetarist — and Keynesian — analysis of flexible exchange rates.

[16] See in particular *Brunner* and *Meltzer* (1971).

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Given this argument, some monetarists go on to urge that fixed rates be adopted, and a world-wide rate of monetary expansion fixed by some supranational body, because of the greater efficiency that this would introduce into the international economy; they look to fluctuations in official holdings of reserves to absorb the consequences of short term variations in individual countries' output and inflation rates about their long term trends. Others prefer that it be left to market forces to allocate such effects between fluctuations in private speculators' reserve holdings and variations in exchange rates around their long run equilibrium values. Yet others note that a degree of exchange rate flexibility confers an extra policy tool on the authorities and hence regard a so-called "dirty float" as a desirable regime.[17]

Thus there is disagreement among monetarists about the most appropriate exchange rate regime, but this is secondary to the proposition upon which monetarists agree: namely that the key to achieving exchange rate stability lies not in the manner in which the foreign exchange market is organised but in finding a way of co-ordinating monetary policy between countries. The contrast between this view and the prevailing Keynesian orthodoxy which still accords central importance to the foreign exchange rate regime itself, and pays little if any attention to the problems, both economic and political, inherent in harmonising domestic monetary policies, is a strong one.[18]

IV.

These comments need no long concluding summary. I have tried to elaborate on and extend *Mayer's* discussion in a constructive fashion. It will be apparent that the key features of "monetarism" seen from a

[17] The monetarist case for fixed exchange rates is forcibly argued by *Parkin* (1973). *Friedman's* classic paper (1953) is still an excellent source on the case for flexible rates. *Boyer* (1975) who perhaps would not wish to be characterised as a monetarist, prefers to view fixed and flexible rates as extreme cases of a spectrum of regimes and argues, on the basis of an essentially monetarist model, that the optimal exchange rate regime will frequently lie between these two extremes.

[18] For example the 1974 Economic Report of the President devoted a great deal of attention to the international monetary system and the matter of alternative exchange rate schemes without ever mentioning the role of incompatible monetary policies in various countries as a source of exchange rate instability. For a lucid account of the issues involved in the debate about the problems of the international monetary system, see *Zis* (1975 a, 1975 b).

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British point of view differ somewhat — albeit more in matters of emphasis than substance — from the American version of the doctrine. However, as with the propositions analysed by *Mayer*, the matters highlighted in this comment overwhelmingly concern questions of fact and logic. Hence they can be settled, in principle at least, by reference to economic analysis and empirical evidence. To the extent that the classification of particular propositions as "monetarist" and "anti-monetarist" hinders their scientific assessment, such classification process is to be deplored. There is, as *Mayer* says a good case to be made for abolishing the use of the term "monetarism", but I share his pessimism on the likelihood of this being possible.

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Zusammenfassung

Mayer über Monetarismus: Anmerkungen aus britischer Sicht

Ich habe an *Mayers* Aufsatz* substantiell wenig zu bemängeln. Allerdings werden in verschiedenen Ländern unterschiedliche Seiten des Monetarismus hervorgehoben. Meine Anmerkungen beziehen sich auf den Monetarismus aus britischer Sicht.

Zunächst wird dargelegt, daß, was immer die monetaristischen Urteile über die relative Bedeutung der Arbeitslosigkeit und Inflation als soziale Probleme sein und wie sie sich auch von ihren keynesianischen Gegnern unterscheiden mögen, es keinen Unterschied zu der moralischen Einschätzung in Großbritannien gibt. Aber es gibt einen analytischen Unterschied. Die britischen Monetaristen sind der Meinung, daß Inflation durch Steuerung der Gesamtnachfrage bekämpft werden soll, insbesondere durch geldpolitische Maßnahmen, während Arbeitslosigkeit hauptsächlich durch mikroökonomische Maßnahmen angegangen werden soll mit dem Ziel, die Leistungsfähigkeit des Arbeitsmarktes zu verbessern. Im Gegensatz dazu verlangt der britische Keynesianismus, daß die Nachfragesteuerung sich auf die Arbeitslosigkeit richten soll, während mikroökonomische Maßnahmen in Gestalt von Lohn- und Preiskontrollen die Hauptwaffe gegen die Inflation darstellen.

* Kredit und Kapital 8. Jg. (1975) S. 191 ff. und S. 293 ff.

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Zweitens müssen britische Wissenschaftler einen Blick auf den internationalen Charakter des Inflationsproblemes werfen, da Großbritannien eine offene Volkswirtschaft ist. Hierzu gibt es einen spezifischen monetaristischen Standpunkt. Er sieht die Inflation in einer Umwelt von festen Wechselkursen gewissermaßen bestimmt vom Niveau der Weltinflation und der Inflation in jeder einzelnen nationalen Volkswirtschaft, wie dies vorzüglich durch die Theorie der Übertragung der Inflation zwischen Teilen eines geschlossenen Großgebietes analysiert wird.

Die Punkte, die bei der Übertragung der Inflation zwischen Volkswirtschaften bedeutsam zu sein scheinen, sind Inflationserwartungen, die sich in dem Verhalten des Weltpreisniveaus ausdrücken, und natürlich auch Geldströme, die durch die Zahlungsbilanzen übertragen werden. Darüber hinaus sehen die Monetaristen den Schlüssel, um Wechselkursstabilität zu erreichen, eher in der Koordinierung der verschiedenen heimischen geldpolitischen Maßnahmen als in den institutionellen Bedingungen des Devisenmarktes.

Summary

Mayer on Monetarism: Comments from a British Point of View

I have little to quarrel with in the substance of *Mayer's* paper*. However, various aspects of monetarism receive different emphasis in different countries. My comments view monetarism from a British point of view.

First, it is argued that, whatever the monetarists' judgements about the relative importance of unemployment and inflation as social problems may be, and however these judgements differ from their Keynesian opponents, there is no such difference of ethics in Britain. There is, however, a difference in analysis. The British monetarist argues that inflation is to be combatted with aggregate demand management, particularly monetary, policies, while unemployment should be tackled mainly by microeconomic policies geared to increasing the efficiency of the labor market. By way of contrast British Keynesianism has it that demand management policies should be geared to pursuing an unemployment target, while micro policies, in the form of wage and price controls, should be the principal anti-inflation weapon.

Second, because Britain is an open economy British economists must take a view about the international nature of inflationary problems. There is a distinctively monetarist viewpoint here. It sees inflation in a world of fixed exchange rates as being determined at the level of the world economy and the problem of inflation in any one national economy as being best analyzed in terms of a theory of the transmission of inflation between regions of the closed world economy. The factors that seem important in transmitting inflation between national economies are inflationary expectations formed about

* Kredit und Kapital, Vol. 8 (1975) pp. 191 and pp. 293.

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the behavior of the world price level and, of course, money flows transmitted through the balance of payments. Moreover the monetarist sees the key to achieving exchange rate stability as lying in the international coordination of domestic monetary policies, rather than in the institutional framework of the foreign exchange market.

Résumé

Mayer et le monétarisme: observations d'un point de vue britannique

J'ai peu de chose à reprocher en substance à l'article de *Mayer**. Dans divers pays néanmoins, l'on souligne des aspects différents du monétarisme. Mes observations porteront sur le monétarisme vu d'un oeil britannique.

Quels que puissent être les jugements monétaristes portés sur la signification relative du chômage et de l'inflation comme problèmes sociaux et quel que puisse être leur souhait de se distinguer de leurs opposants keynesiens, il n'existe au Royaume-Uni aucune différence en matière d'appréciation morale. Mais l'on admet une différence analytique. Les monétaristes britanniques sont d'avis que l'inflation devrait être combattue par l'orientation de la demande globale, et en particulier par des mesures de politique monétaire, tandis que le chômage devrait être réduit essentiellement par des mesures microéconomiques ayant comme finalité l'amélioration du rendement du marché de l'emploi. A l'opposé, le keynesianisme britannique demande que la politique de la demande soit orientée vers le sous-emploi, tandis que les actions microéconomiques prenant la forme de contrôles des prix et des revenus doivent constituer l'arme principale à diriger contre l'inflation.

Au surplus, les esprits scientifiques britanniques doivent prêter attention au caractère international du problème de l'inflation, car le Royaume-Uni est économie ouverte. Cette question fait l'objet d'un point de vue spécifiquement monétariste. Dans un monde de taux fixes de change, l'inflation serait dans une certaine mesure déterminée par le niveau de l'inflation universelle et par l'inflation de chaque économie nationale, telle est du moins l'analyse séduisante de la théorie du transfert de l'inflation entre divers secteurs d'un territoire autarcique.

Dans le transfert de l'inflation entre diverses économies, les points principaux à retenir semblent être les anticipations relatives à l'inflation, qui s'expriment dans le comportement du niveau mondial des prix, ainsi que bien évidemment les flux monétaires qui transparaissent dans les balances de paiements. En outre, les monétaristes voient le moyen d'aboutir à la stabilité des taux de change plutôt dans la coordination des diverses mesures internes de la politique monétaire que dans les conditions institutionnelles du marché des changes.

* Kredit und Kapital 8e année (1975) p. 191 et p. 293.

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