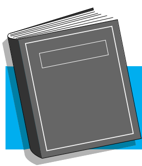

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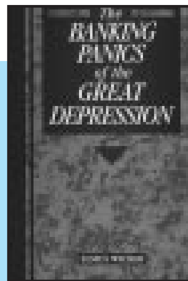

Elmus Wicker

The Banking Panics of the Great Depression

Cambridge University Press, 1996, xviii + 174 pp., $39.95 (cloth).

From 1930 to 1933, the economy of the United States suffered its worst collapse in history and entered into a decade of depression that traumatized the entire nation and much of the rest of the world. No analysis can hope to comprehend the social forces that shaped the twentieth century unless it first clarifies the economic forces that shaped the Great Depression. At the heart of that problem lies a technical puzzle: Why did the US monetary and banking system disintegrate, and was that financial breakdown a fundamental cause of the massive loss of output and employment that followed?

This new book by Elmus Wicker, though brief and eminently readable, represents a lifetime of research on this puzzle. In contrast to the sweeping canvases on which the most prominent studies of money in the 1930s have been drawn—Milton Friedman and Anna J. Schwartz's *A Monetary History of the United States, 1867–1960* and Peter Temin's *Did Monetary Forces Cause the Great Depression?*—Wicker constructs a "microhistory" from a series of finely detailed miniatures. To know that more than 9,000 out of an initial 24,000 American banks failed during 1930–33 can send one off in search of grand effects—as it did for Friedman, Schwartz, Temin, and many others—or it can send one off in search of small causes. Which specific bank failures generated the rippling effects that brought on the panics? Why did those banks fail, and not others?

Wicker makes sense out of what could have been a confusing jumble of minute facts. He begins with a startling revelation: "The banking situation on the eve of the Great Depression was better than at any time in the preceding ten years, except perhaps for small rural banks." Those "small rural banks" were failing at unprecedented rates, but their losses "were of purely local significance." Then, beginning in November 1930, four distinct "panics" occurred and led inexorably to the declaration of a national banking holiday in March 1933, the first dramatic step by the new president, Franklin D. Roosevelt, to try to steady and ultimately reverse the course of the sinking economy.

Wicker offers a detailed history of each of the four panics and draws some revealing conclusions. First, after examining the largely rural and regional quality of the 1930 panic, he rejects the Friedman-Schwartz view that those failures constituted a national crisis. Second, he argues that the next panic, in the summer of 1931, was similarly confined to a few regions and did not infect the national money market centered in New York City. What initiated the national crisis was the third panic, which he believes followed directly from the collapse of the banking systems of Austria and Germany in the summer of 1931 and especially from Britain's departure from the gold standard in September. The fourth panic, which led to the final and total collapse of the national banking system and generated a disastrous reduction in the money supply, need never have happened. Wicker carefully documents how, in the absence of a comprehensive or comprehensible national policy, state officials overreacted to small tremors by arbitrarily suspending deposit withdrawals and closing banks until all confidence in the system was lost.

A major implication of this study is that Federal Reserve policy aggravated but did not cause the reduction in the US money supply that was a key component of the onset of the depression. Never before had a banking crisis originated and spread outside the central money market. Lacking any foundation for understanding the phenomenon, Federal Reserve officials concentrated on insulating and protecting the New York market. They achieved remarkable success in that limited task, but they were impotent in efforts to carry out their larger responsibility of preserving the soundness of the national money supply.

In the final chapter, Wicker tackles the question that must be answered if a definitive history of the twentieth century is ever to be written: "Did bank failures cause the Great Depression?" For better or worse, however, he is too cautious and honest to pretend to have a definitive answer. "The jury is still out. . . . More work needs to be done to resolve this issue." It may not satisfy the reader, but this conclusion does summarize fairly the state of knowledge in this area at the end of the twentieth century.

James M. Boughton

Kunibert Raffer and H.W. Singer

The Foreign Aid Business

Economic Assistance and Development Co-operation

Edward Elgar, Cheltenham, United Kingdom, 1996, xii + 236 pp., $70.00 (cloth).

Kunibert Raffer and Hans Singer have written a thoughtful and provocative review of the foreign aid business. What is good about the book is its forthright discussion of some of the problems of development assistance and creative proposals for reform. The book is weak, however, when it lapses into unsubstantiated polemics.

On the positive side, the study puts foreign aid into historical context and reviews the development of different types of assistance in the postwar period. Much of foreign aid has gone to promote donors' self-interest, and this may account for the often poor results. One of the best examples of this self-interest is the practice of tying

bilateral aid to the purchase of goods and services from the donor country. This distortion reduces the real value of assistance and shifts the focus of bilateral programs from what recipients need to what donors can provide. The authors argue persuasively that untying aid—currently under discussion among OECD countries—would make assistance more effective.

The book also takes up issues of the developing country debt crisis. While in many countries debt problems resulted primarily from commercial borrowing, in some cases official loans contributed. The authors point out, on the one hand, that donors' determination to lend money to developing countries resulted in these problems. They fail to note, on the other hand, that the poor economic policies of many recipient countries were a root cause of their debt crises. It was the combination of borrowing countries' poor policies and easy financing that resulted in large accumulations of debt without the investment and growth needed to service it.

Raffer and Singer have a bold proposal for dealing with debt problems of poor countries. They note that US bankruptcy law has a provision for bankruptcy of local governments, under which the local government can file for protection from creditors. In this case, the bankruptcy court allows the local government to continue to provide "essential public services" while it works out a rescheduling of its debts with its creditors. The authors propose an international analogue: a bankruptcy court in which national governments could file for protection from international creditors and work out a scheme for debt rescheduling that would allow them to continue providing essential public services. While this proposal may not be politically realistic in the near future, it may serve a useful role by highlighting some problems with current practices. The closest thing to an international bankruptcy court for official lending is the Paris Club. The problem, however, is that this is a club of creditors and its deliberations tend to produce reschedulings that do not put countries on a sustainable financial basis. That countries often return to the Paris Club for further debt reschedulings is evidence of this. The local government provision of US bankruptcy law ensures that lenders to local governments can lose some or all of their investments and provides incentives for responsible lender behavior. Raffer and Singer are looking for the same kind of proper incentives for international lending.

While the book has much good analysis, it suffers in too many places from the inclusion of polemics. It notes how multilateral aid is split between United Nations (UN) agencies and international financial institutions (IFIs) such as the World Bank and the IMF. The key difference between the two types of organization is that the UN agencies have one-country, one-vote systems whereas the IFIs have voting weighted by capital shares, so that the rich countries have majority control. The authors dwell on this difference at length and lobby for making the IFIs more democratic. Given that the two types of agencies have worked in parallel for many years, there is obviously a lot of potential for comparing their relative effectiveness. The authors make no attempt to do this, however, and present no evidence to support their assertion that the "more democratic" UN agencies are more effective at providing aid.

The book also ignores some important recent research that raises serious questions about the overall impact of aid. Peter Boone's study found no evidence that aid has contributed to growth or improvement of social indicators in developing countries. At a more microeconomic level, research by Daniel Kaufmann and others has shown that the success of aid-financed projects is influenced by macroeconomic policies and by other factors such as the extent of civil liberties. Taken together, these results suggest that aid has not been effective in the average developing country, and that if it is to be effective, recipient countries need to provide the proper environment by formulating and implementing suitable economic policies and ensuring adequate governance. Raffer and Singer are quick to point out—correctly—that donor countries' pursuit of self-interest renders aid less effective, but they ignore the equally important evidence that recipient countries' policies and institutions are critical for effective aid.

David Dollar

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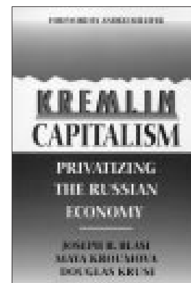

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Samuel P. Huntington

The Clash of Civilizations and the Remaking of World Order

Simon and Schuster, New York, 1996, 368 pp., $26.00/£16.99 (cloth).

In this thought-provoking book, Samuel P. Huntington asks whether a harmonious global civilization in the Western tradition is emerging in the increasingly modernized post-Cold War world. His answer is an emphatic no; on the contrary, he states, the world will become multicivilizational and more conflictive. This central theme provides a basis for his advocacy of an Atlanticist US foreign policy.

Huntington challenges the assumption that the collapse of communism will bring about the universal victory of liberal democracy while increased interaction among peoples will lead to a world culture in the Western tradition, which has nurtured democracy, free trade, and modern communication. In challenging this assumption, he stresses that as non-Western countries modernize themselves, they seek not Westernization but cultural independence from the West. Huntington dismisses the idea that what he terms the Davos culture (named after the annual World Economic Forum held in Davos, Switzerland)—the shared beliefs of intellectuals, business people, and government officials in "individualism, market economies, and political democracy"—is a manifestation of an emerging world culture, arguing that its beliefs are not shared widely outside the Western world. The early years of the next century, he asserts, will witness the peoples of the non-Western civilizations clashing with the West and with each other.

Huntington emphasizes the uniqueness of Western civilization, which is founded on the classical legacy (for example, rationalism), Christianity, European languages, social pluralism, representative bodies, the rule of law, property rights, and individualism. While not denying that some of these features can exist in other civilizations (African, Hindu, Islamic, Japanese, Latin American, Eastern Orthodox, and Sinic), he believes that Western civilization is unique at present because only it has all these features.

Regarding an issue of interest to those of us dealing with global economic policy, Huntington comments on the role of international financial institutions, although it is on the periphery of his thesis. He is skeptical about the impact of these organizations. According to him, Western governments and international financial institutions, such as the IMF and the World Bank, are attempting to fill the ideological vacuum created by the collapse of communism with "the doctrines of neo-orthodox economics and democratic politics." Through the IMF and other international economic institutions, "the West promotes its economic interests" and is "attempting to integrate the economies of non-Western societies into a global economic system it dominates." He argues, however, that the extent to which these doctrines will have a lasting impact on non-Western cultures is uncertain. Quoting Georgi Arbatov, a Russian official who, in his *New York Times* article (May 7, 1992) blaming Russia's price liberalization for the decline in living standards there, expressed a feeling that IMF officials "resemble neo-Bolsheviks," Huntington asserts that the IMF does not have the support of the public.

Huntington's conclusions offer something to reflect on for those who work in the field of global economic policy issues. Some of his assertions and conclusions are easy to refute; others raise questions that are not easy to answer. The easiest ones to refute are his simplistic remarks on economic integration. He implies that the integration of non-Western economies into the global economic system will be harmful to them. On the contrary, such an integration is the only option for any economy wishing to benefit from trade in products and productive factors. It is unscholarly for Huntington to underscore his unsubstantiated assertion that there is a lack of public support for the IMF by quoting the passage from Arbatov's article in which its author expresses his personal feelings. More important, his account takes little cognizance of the fact that the IMF encourages member countries to pursue sound, mutually compatible economic policies aimed at bringing about durable economic prosperity. The policies that the IMF advocates—such as macroeconomic discipline and competitive pricing—are not necessarily popular but are essential for long-run economic growth. Clearly, price liberalization is not the fundamental reason for Russia's economic difficulties; rather, it should be part of the solution to them.

Some of Huntington's other conclusions raise interesting questions. Will the fault lines between civilizations constitute an effective barrier to globalization because peoples from different civilizations cannot work effectively as trade or business partners? Or, as we tend to believe in international institutions, will economic incentives overcome differences between civilizations? How might the absence of such factors as rationalism, individualism, the rule of law, and respect for property rights (categorized by Huntington as typical of Western civilization), which are essential elements of a well-functioning market economy, affect the functioning of the market system in a non-Western civilization? Are new economic institutions (for example, a new budgetary or tax administration system) with proven performance in Western countries always readily transferable?

Huntington's book certainly contains many controversial statements. Even the classification of civilizations, which he bases on the work of civilization scholars, may stir controversy. The book often makes sweeping generalizations. Its central theme is disquieting. However, the book provides refreshing insights into the world's nations and their relations. It offers a fascinating discussion on intercivilizational fault lines. Readers who deal with global economic policy issues should seriously consider reading this book to sharpen their vision.

Ke-young Chu

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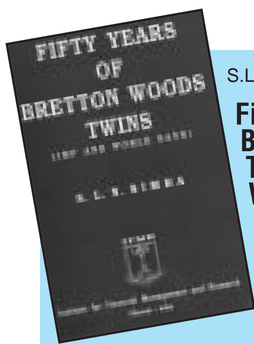


S.L.N. Simha

Fifty Years of Bretton Woods Twins (IMF and World Bank)

Institute for Financial Management and Research, Chennai, India, 1996, xxi + 478 pp., Rs. 450/$25 (paper).

S.L.N. Simha, a former staff member and Alternate Executive Director of the IMF, believes that not enough is known in India about the Bretton Woods twins—the IMF and the World Bank—especially among younger Indians. Since India is, at the same time, the biggest beneficiary of their financial assistance, especially the Bank's, and has both deeply influenced the two institutions and been influenced by them, Simha has used the occasion of the fiftieth anniversary of the IMF and the World Bank to correct this deficiency. Highlighting Indian participation in the two organizations, he dedicates his book to four Indian officials who had major roles in the founding and early years of both institutions: C.D. Deshmukh, J.V. Joshi, B.K. Madan, and P.S. Narayan Prasad, legendary names to old-time international monetary and financial officials and perhaps familiar to younger ones as well.

Unlike many other authors who have tended to be critical of the Fund and the Bank, Simha both wants to and does write a volume full of praise for the Bretton Woods twins. His principal objective is to let Indians know "the enormity of the international monetary and financial cooperation that has prevailed in the last 50 years, under the aegis of the IMF and the World Bank, for all their defects and deficiencies." Emphasizing that his book is about 50 years of existence of the Bretton Woods institutions and not, like so many other commemorative volumes, about what they have become 50 years *after* the Bretton Woods conference, he devotes a substantial portion of the book to history. But it is evaluative history: throughout the volume, he interjects his own views on the functions and policies of the two institutions. And he does discuss the many proposals that have been made for reform of the two institutions and offers his own views and proposals.

The book is in four parts. Part One is on the conception and birth of the IMF and World Bank. While it covers some of the familiar ground of the events leading to the Bretton Woods conference (officially known as the United Nations Monetary and Financial Conference and held in Bretton Woods, New Hampshire in 1944), Simha makes a valuable contribution. He explains at length India's role in the preparations for Bretton Woods and at the conference itself, making it clearer how India was able to be a key player there, *three years before gaining its political independence*. Simha has thereby added to what has heretofore been available in official IMF histories. Part Two, on the IMF, quickly covers the IMF's overall evolution and describes both its financial policies and the changes emanating from the collapse of the par value system. It then evaluates present-day surveillance conducted by the IMF and the many proposals that have been made for reform of the institution. He is well aware of the current problems facing the IMF, particularly those stemming from the tremendous flows of private international capital. Part Three, on the World Bank, is less historical. It centers more on the Bank's lending operations up to the present time and the results of the Bank's operations, as well as the various proposals that have been made for reforming that institution. The author advocates that the Bank emphasize project, rather than program, lending. Part Four is an epilogue.

All in all, Simha has done an impressive job. Given the scope of his coverage—the experiences of both the IMF and the World Bank during the past 50 years, *plus* their conception and birth—the volume is relatively short. For example, after about 100 pages on the conception and birth of the twins, he covers 50 years of IMF history and the current proposals for reform in 160 pages. He has also researched extensively, and is quite up to date on, what has been and is being said and written about the two institutions, notwithstanding the fact that he has been working in Bangalore, 9,000 miles from the scene of action. He is also a skillful writer, having earlier written not only on economics (he is the author of the history of the Reserve Bank of India) but also on religion, ethics, and literature. He writes not only clearly but with charm and wit. Most of all, his reactions to, and views on, the policies of the IMF and World Bank and the proposals for their reform are generally cautious and sensible, although there are several that I, and other past and current IMF and World Bank staff members and officials, would take exception to. Of the many volumes marking the fiftieth anniversary of the Bretton Woods twins, I found this one the most pleasurable to read.

Margaret Garritsen de Vries

Robert O. Keohane and Marc A. Levy (editors)

Institutions for Environmental Aid

Pitfalls and Promise

MIT Press, Cambridge, Massachusetts, 1996, xii + 419 pp., $45 (cloth), $22.50 (paper).

A growing proportion of all development financing is directed at environmental protection, and, as institutions like the World Bank increasingly move toward the "mainstreaming" of their environmental business within the concept of sustainable development, it can argued that a progressively greater proportion of their portfolios will be "greened." Key questions, however, remain—how effective are these substantial resources in addressing global environmental problems, and what do we mean by effectiveness in this context?

The key question of effectiveness is the basic theme which Robert Keohane and Marc Levy and their team address in this book. The book contains case studies that cover the Global Environment Facility (GEF), the Montreal Protocol Multilateral Fund, nongovernmental organizations' (NGOs') debt-for-nature swaps and national donor programs, and a special section on financial transfers within Europe.

In 1993, Keohane and Levy, with Peter Haas, produced a seminal and optimistic study of the impact of international institutions on environmental policy issues (*Institutions for the Earth: Sources of Effective International Environmental Protection*). This volume takes that study one step further and, five years after the 1992 Rio de Janeiro Earth Summit, introduces an important measure of realism and caution into the discourse. Perhaps the 1993 findings were too optimistic. Because they were based on the practices of prominent institutions, the findings inevitably

included a disproportionate number of success stories. In this "second generation" study, the authors seek to understand the obstacles to effectiveness. They draw on the literature of economics, international relations, development assistance, and international environmental relations. Nevertheless, they use the same basic conceptual framework as the 1993 study—the so-called three Cs: concern, contracting, and capacity.

It must be a truism that the effective transfer of resources for environmental protection requires concern by at least one party—the provider of funds or the recipient. What is clear from the studies is that however large the funds available, concern cannot be bought. There must be some clear complementarity in the concerns of both sides, although this need not be congruent. For example, the ingenious NGO-driven debt-for-nature swaps of the 1980s occurred at a time when the debt crisis weighed heavily on developing countries. With the huge increase in private sector funding in the 1990s, these swaps' appeal has waned.

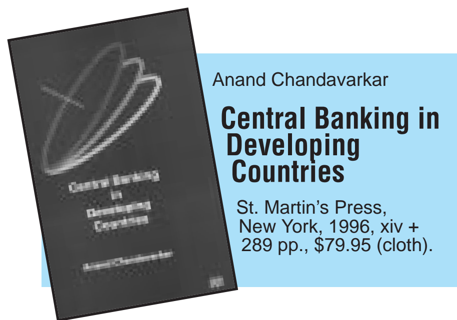
The studies of the GEF Pilot Phase and the Montreal Protocol, while concentrating on governance rather than substance, also suggest that once areas of commonality have been established—as, for example, through the restructuring of the GEF—effectiveness increases. As David Fairman suggests, while the jury may still be out on the restructured GEF, the Montreal Protocol—equally innovative and significant—surely deserves more than the two cheers Elizabeth De Sombre and Joanne Kauffman give it. Even they, albeit slightly grudgingly, accept the view that "the existence of the Fund facilitated an orderly phase out (of ozone depleting substances); sent a strong message about the willingness of the world community to address equity issues in environmental regulation; and perhaps opened the way for greater participation of developing countries in future environmental agreements." This is no mean achievement.

In fact, the strength of the book's methodology is that as much can be learned from the analysis as from the conclusions. The second C—contracting—makes this point well. Conditionality in lending is often trumpeted as the only effective enforcement mechanism for global environmental concerns. In fact, the studies demonstrate what a crude tool conditionality is unless there is some receptiveness within the host state to the conditions being imposed (in other words, concern). An interesting example is provided by the Philippines, where external conditionalities from a variety of funding sources resonated within the country itself. For example, reformers within the government are reported to have assisted in the drafting of the conditions affecting the logging industry.

The third factor, capacity, is the most intractable. Despite the calls in Agenda 21 and other international instruments for environmental capacity building, the studies demonstrate that it is not simply an administrative issue. Environmental institutions in borrowing countries are often new and lack technical, organizational, human, and financial resources. But more often, and most important, Keohane suggests, they lack the political clout to make a difference. Often, the reason lies, again, in what he has termed "concern."

Overall, the book suggests that although the lessons of environmental aid are similar to those of development assistance generally, environmental aid efforts appear to follow distinct processes and raise distinct subsets of issues whose resolution entails distinct agendas. This volume provides an important analytical framework for understanding the dynamics of those processes and some important pointers for future successes—and failures.

David Freestone



Anand Chandavarkar

Central Banking in Developing Countries

St. Martin's Press, New York, 1996, xiv + 289 pp., $79.95 (cloth).

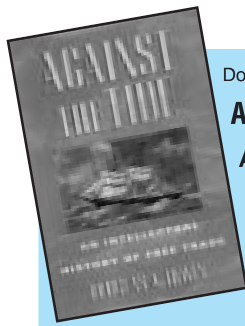
In the preface to his book, Anand Chandavarkar promises the reader a *tour d'horizon* of central banking in the developing world. And he delivers on his promise in a remarkably effective fashion. The tour proves to be most enlightening thanks to the book's strengths in three different areas. There is, first, *comprehensiveness of coverage*: the analysis ranges from the objectives and instruments of central banking to its institutional and organizational structure, without neglecting contentious or problematic topics (such as the role of the central bank in development or the issue of central bank losses). There is, second, the *breadth of experience*, well illustrated by the author's ability to set the issues in the context of specific country developments and to examine the central banking theme from the standpoint of particular country groupings (such as the Muslim countries or the transition economies). And there is, third, the *sheer erudition*, the mastery of the subject matter that comes through in reading this book. The author is indeed well versed in the literature on central banking (as can easily be confirmed by a quick look at the bibliography and by the adroitness of the quotes that introduce each chapter and here and there spice the text); his familiarity with the experience of a wide range of countries reveals a long career of international civil service devoted to advising country officials on, inter alia, central banking and monetary matters.

With this intellectual equipment, Chandavarkar is in an excellent position to fill the long-standing gap he identifies in the literature of central banking problems in the developing world by providing a "descriptive, analytic, and normative" sketch of the subject in all its diverse dimensions. Indeed, the combination in this study of descriptive elements, analytical insights, and normative considerations allows the author to place a number of relevant topics in a proper perspective. Among them, I would mention the question of *central bank independence*, on which much has been written and where Chandavarkar skillfully separates rhetoric from reality. Or the question of the intimate relationship between central banking and *prudential regulation and supervision*, often a matter of contention. Or the important issue of *exchange policy*, typically left to the government and so often neglected in discussions of central bank independence. Or the importance of the quality, motivation, and professionalism of the *staff of central banks* at all levels, the human capital on which the art of central banking ultimately depends.

In this manner, Chandavarkar succeeds in covering virtually all those aspects of central banking that demonstrate how critical this activity is as a fundamental link in the economic policymaking chain.

In his conclusion, Chandavarkar quotes Don Patinkin, who in 1965 wrote that "though the tax collector is a well-known figure in the Bible, the central banker is barely mentioned." And for most of recorded history, statements of this nature have held true. Times have changed, though. Chandavarkar himself acknowledges the change when he points out that at "no other time in monetary annals have central banks been so much in the public forum—academic, institutional, and political—as in recent years." And this is a change in the right direction for an activity like central banking, which, as Chandavarkar makes clear, "is a uniquely complex amalgam of ideas, traditions, institutions, techniques, and operations which does not yield a corpus of settled unambiguous conclusions." True though this statement is, I have nevertheless reached a clear conclusion. And that is that publication of this book should help the newly exposed corps of central bankers by making such an insightful and readable examination of their complex responsibilities available to all readers with an interest in the subject.

Manuel Guitián



Douglas A. Irwin

Against the Tide

An Intellectual History of Free Trade

Princeton University Press, 1996, xi + 265 pp., $29.95/£22.50 (cloth).

With his book *The Wealth of Nations*, Adam Smith turned the tide of opinion regarding the use of import tariffs and other trade restrictions. The structure of the debate since Smith, Professor Irwin observes, has reflected the presumption that those who advocate restrictions on trade bear the burden of demonstrating how such policies would serve the national interest.

Since Smith, a major theoretical argument for protection has surfaced every few decades, each sparking a controversy over the case for free trade. The analytical objective of the book is to sort these arguments into three categories: those accepted as legitimate and important qualifications to the case for free trade, those dismissed as curiosities with little application in practice, and those rejected on grounds of logic. Irwin's intent seems to be to report the consensus opinion of academic economists. There is, however, some mixing of that perspective with his own conclusions.

As Professor Irwin reads its reactions, the economics profession has been a tough audience. Only the terms of trade (optimal tariff) and strategic trade policy arguments are assessed as legitimate and important qualifications. Irwin interprets both of these, however, as beggar-thy-neighbor cases. Their import, he concludes, is not a case for protection, it is instead to modify the case for *unilateral* free trade into a case for *multilateral* free trade.

Two arguments are dismissed as mistaken economic theory: the Keynesian argument that a tariff would increase domestic employment and the Australian, or Torrens or Dutch disease, argument that a tariff would prevent depopulation of a country rich in natural resources but in which there are sharply diminishing returns to labor in natural-resource-based industries. The latter, Irwin concludes, is an income distribution argument, not an argument about the effect of trade on the national wealth. Critical scrutiny of Keynes's macroeconomics, he explains, has found the Keynesian employment argument to be a theoretical error. Keynes, however, is not castigated as a protectionist. The author concludes that he was "for the most part, a free trader who was willing to use tariffs as an inferior, short-lived expedient to remedy macroeconomic ills as opposed to doing nothing."

The infant industry case, Frank Graham's argument that a country would be better off to protect an industry with increasing returns to scale, and Mihail Manoilescu's argument that poor (that is, agricultural) countries should protect manufacturing because both capital and labor are inherently less productive in agriculture are downgraded as lacking intellectual coherence: they are seen as being too imprecisely specified to allow one to draw a conclusion as to their merits. The author points out that a key element in each of the theories is that one sector has an advantage over others that the market does not fully take into account. In such situations, a trade restriction is never the first-best policy.

Against the Tide, by intent, covers only armchair economics (not empirical work) and not what might be described as the trade and development literature. There is no coverage of Latin American structuralist arguments and only a mention of empirical studies of trade structures, with no reference to either Bela Balassa or Anne Krueger.

The book provides good entertainment in two ways. The reader may mull over the author's conclusions as to where each of the theories he reviews belongs in the categories he provides. The reader may also enjoy one by one the tidbits of information that come along with the story. For example, when J. S. Mill endorsed the infant industry argument, in his *Principles of Political Economy* (1848), the reaction of other economists was less to counter his argument than to bemoan the ill that would result from this "sad departure from the sound principles of economic rectitude." And when it first appeared, the term "free trade" described not the absence of trade restrictions but the alternative to government-granted monopolies over trade.

J.M. Finger

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