

comparable to the American disengagement in South East Asia than the Second World War.

As to the main topic of this conference, stability, I would suggest that the discussion be centered on the question: What do we mean by stability? Do we mean economic development without crises? Or world politics without conflicts? Or what?

### Comments

FREDE VESTERGAARD, (Dansk Landbrugs Realkreditfond):

Mr. Macrae states as his proposition number five that the ecologists are wrong when they say that a shortage of e.g. food will be a main barrier in the way of further economic growth. Mr. Macrae believes that food (plus energy, raw materials, high birth rates and high pollution) is going to be the least likely barrier(s) to growth in the next 20 years, because food is a thing in a high elasticity of supply.

I think it is very useful to make this point. Especially because the world food crisis of 1973-74 created myths about the food problem and especially about food aid which – if taken seriously – would discourage food production in the developing countries, where an increase in food production is needed most.

It is all too often ignored that the shortages which led to the devastating rises in prices earlier in the 1970s and to the notion of a world food crisis, were not the result of insufficient production capacity but came about because the leading exporting countries – the U.S., Canada, and Australia – since the end of the 1960s had reduced the acreage sown to avoid high levels of stocks,

which were rather unpopular with tax-payers in these countries.

I agree with Mr. Macrae that there will probably be a glut of food in the world during the next 10-15 years, given normal weather conditions. All serious production/demand projections I know about point to that.

(What will happen in the next century if population growth is not checked is quite another matter.)

My point is, however, that this does not mean that the food problem is a non-issue. Though there will be no food problem for the world as a whole there will probably be a need to transfer large quantities of food, i.e. grain, from the rich grain-growing countries to a number of the poorest countries which for various reasons will not be able to expand food production enough to cover their own needs.

Possibilities of meeting the projected food deficits of these nations through increased trade seem remote. The poorest countries may be in dire need of food and unable to pay for it. Will the rich grain-growing countries then be willing to ship food to the poorer countries on a concessional basis?

The problems may not be much easier for those poor countries which do succeed in exploiting their potential for increased food production, if this is at a higher cost of production, as seems likely.

Will their rapidly increasing urban population have enough real income to buy food at prices which cover the cost of production? The answer depends, I believe, on whether these countries will succeed in accelerating their general economic development.

To sum up, I suggest that though – as stated by Mr. Macrae – there are likely to

be a glut of food in the world as a whole, at least during the next 15 years – given normal weather conditions – there may well be a problem of immense gravity in the disparity of food supply between the rich countries and many of the poorest countries in the 1980s.

NORMAN MACRAE:

Mr. Bjöl is indebted to his imagination for most of his economics and many of his recollections. In one passage of his comments he says "As far as I recall, *The Economist* started as early as the beginning of 1974 to promise us a crash in oil prices and in his proposition No. 13 Mr. Macrae repeats this prophecy. Well, if he goes on doing so, maybe he will be right some day but so far it has not happened . . ."

That article in *The Economist* of January 5, 1974, called "The coming glut of energy", is on the public record. It says again and again that on past experience a glut of energy should be expected within 5–10 years of the oil panic which reached its height that week (ie, should be expected in the period 1979–84), and perusal of the text shows that in that week of the article's publication the price of oil had been raised on the auction market to \$17 a barrel. The article was wrong in prophesying for later some things that have now already happened earlier, and we will have to see whether some of the other prophecies for 1979–1984 come off. Probably they won't. But in his criticism of its prophecies so far Mr. Bjöl is standing on his head.

I am therefore a bit concerned that he can think that I am saying this time some things which are the opposite of what I do say. He says "it seems to me that proposition No. 10 appeals to economic planning in order to manage the world economy by deliberate political choices instead of leaving it to the invisible hand of supply and demand." I do not understand how he could think that I am appealing to any concept so meaningless and daft, especially as a few lines higher he correctly summarises proposition No. 10: Keynesian macroeconomics, plus free markets. He asks whether he can presume that I "mean, generally speaking, non-raw-material consuming kind of growth"? I do happen to suspect that the income elasticity of demand for raw materials will prove low, which is why I expect raw materials to go into glut, but to me his presumption does not make sense. He says that I "seem to date the decline and fall of American power from the defeat in the Vietnam War." Oh no, I don't. I date it from the growth of the habit in America of non-quantitative and therefore woolly thinking.

I agree with Mr. Vestergaard that the main problem is to accelerate general economic development in the poor two thirds of the world. But I may be more optimistic than he in thinking that such economic development is possible, and even likely provided that politicians do not get in the way with "appeals to economic planning in order to manage the world economy by deliberate political choices instead of leaving it to the invisible hand of supply and demand" – oh dear!