America, many of whom are dependent on their earnings from the export of a few primary commodities for their prospect of capital accumulation and, therefore, economic development. The importance of trade in primary products to non-industrial countries and the recent recession in the prices of these products has resulted in much study of the problems involved in maintaining an equilibrium demand. Thus a committee of experts appointed by the General Agreements on Tariffs and Trade has recently concluded that the maintenance of high levels of domestic economic growth and the avoidance of cyclical fluctuations are the most important contributions the industrial countries can make to market stability and that further progress depends upon the willingness of the industrial and non-industrial countries to negotiate on a wide range of their economic and financial policies.

It has already been pointed out that the aspiration of international economic policy in the postwar period and especially since 1950 has been the creation of a multilateral and liberal trading system. This aspiration was initially inhibited by a world-wide dollar shortage which was particularly severe in Western Europe. In the immediate postwar years any attempt at free competition between the North American economy—which had, if anything, been strengthened by the War—and the economy of Western Europe—which had been ravaged by the War—would have resulted in a permanent North American trade surplus and a permanent and ultimately crippling trade deficit for Western Europe. Thus, by general agreement, the promotion of recovery and multilateral trading within Western Europe was recognized as a prerequisite to more general liberalization. Although there is still some authoritative opinion that, mainly from structural differences between the North American and European economies, the dollar shortage is a long-run problem, the majority belief is increasingly that the West European economy is now sufficiently competitive (as measured by the high degree of liberalization that has already taken place in trade with dollar countries) and the West European reserve position sufficiently strong to permit of further general freeing of trade and payments.

It is, of course, recognized—the more so because of the disastrously premature attempt to make sterling convertible in 1947—that since multilateral trading requires free convertibility of currencies any move toward free trade should be associated with a high degree of international liquidity. This is part of the reason for the decision taken in October 1958 to increase the resources of the International Monetary Fund and the International Bank for Reconstruction and Development. More generally, it has been felt that the world's gold and dollar reserves, which represented some 93 p.c. of the value of world imports in 1950 but only about 58 p.c. of the value of world imports in 1957, were increasingly inadequate in the face of the growing volume of international trade; and coming, as it does, at the end of what has been an active period for the IMF, the increase in resources is intended to increase the ability of the Fund to render emergency assistance to individual countries.

In December 1958 the United Kingdom, Norway, Sweden, Denmark, the Benelux countries, France, Italy and the Federal Republic of Germany announced simultaneously that their currencies had been made externally convertible, and early in January 1959 the Federal Republic of Germany announced that the convertibility of the mark had been made virtually complete. The European Payments Union (which had been an important instrument of European trade liberalization from 1950) was disbanded at the same time and replaced by the European Monetary Agreement under which inter-European settlements will probably take place mostly through the free exchange markets. External convertibility is still something short of full convertibility, in that it applies only to non-residents and to moneys earned in current transactions, and (especially for sterling) the recent announcements do little more for residents of the dollar area than formalize a *de facto* situation; but the move toward external convertibility is nevertheless noteworthy for its implicit promise of further reductions in the surviving restrictions on dollar trade and as an important step in the direction of full convertibility.

Within the general desire to establish a multilateral trading system, there has been in the postwar period a strong European desire for some form of European integration. This aspiration has complex political, social and economic roots and found its latest economic expression in the formation of the European Economic Community (EEC) which