persuade the superpowers to complete the treaty.

The chances are slim. The political inhibitions of the past few months persist. In the circumstances, the nuclear powers should think of taking more seriously the persistent demand of the non-aligned signatories at Geneva — that more of the process of arms control should be entrusted to the Committee on Disarmament in Geneva. It is entirely understandable that the committee has earned itself a bad reputation. For the first decade or so it was a talking shop for the rehearsal of idealistic but also unrealistic schemes for disarmament. Pilloried at regular intervals, the superpowers took care to avoid trouble (and to nullify the committee's work) by the device of their control of the chairmanship of the committee. Since the reorganization (and enlargement) of the committee five years ago, however, its proceedings have been more temperate and more valuable. Moreover, the committee has the virtue of being the only forum of its kind in which both France and China are represented. Because at some stage neither the existing Partial Test-Ban Treaty nor the putative Comprehensive Test-Ban Treaty can survive indefinitely if France and China stay outside, the nuclear powers have everything to gain if questions of French and Chinese adherence to these schemes are seriously taken up. What is needed is a definition of the circumstances in which France and China would sign. The old device of cutting off other people's military production of nuclear explosives is unlikely now to be sufficient. The Geneva black sheep might at least find they were not the only animals of that colour if they used the Committee on Disarmament as a means of exploring such questions.

The nuclear powers have not merely to meet criticisms that they have dragged their feet on strategic arms control (Article VI of the NPT) but also that they have fallen short of their obligations to help with the spread of civil nuclear technology. Here, by good luck, they have an early opportunity to disarm their critics. At the end of this month, the IAEA Committee on Assurance of Supply will meet for the first time in Vienna, chiefly to discover which members of the IAEA have chosen to belong (it is a free-for-all) and to decide when to meet next. Potentially, however, the committee is a means by which the nuclear suppliers (not all of them nuclear powers) could help meet the just criticisms that have arisen of their supply practices. As things are, many governments fear that, after building a nuclear reactor, they may be unable to buy fuel for it on the world market. Only last week, the US Congress finally overrode President Carter's wish to send a consignment of enriched uranium to India; the uranium is contracted for on both sides, but prohibited by the Anti-Proliferation Act of 1968. South Africa is in similar difficulties. Nobody would quarrel with the objectives of this act, which are to require that states supplied with nuclear materials from the United States should agree that all their nuclear installations are covered by IAEA safeguards. The trouble is that the act has demonstrated to all and sundry that arbitrary legislation can always interrupt supply. The result has been to damage confidence. The Anti-Proliferation Act should be repealed, but the IAEA meeting later this month should be used as a means of rebuilding confidence, if necessary by enabling the IAEA itself to become a supplier of nuclear fuel (as its existing statutes allow).

Dismal science in doghouse once more

Economists have often been derided for failing to agree among themselves on the future performance of this or that economy. Now they are in deeper trouble, and are being blamed for having misled the British government. Mrs Thatcher finds herself in serious political difficulties because it now seems that nobody has any clear idea of how much money there is at present in the British economy, or how quickly this money stock is increasing. The issue is important because the government has built its economic policy on an attempt to control both the rate at which the money stock increases and the rate at which the government itself borrows from the public. What has gone wrong?

Part of the difficulty is that the notion of what constitutes the money stock is, to say the least, abstract. It includes not merely the nominal value of the currency in circulation but also the value of borrowing from the commercial banks. This extension of the simplest concept of money makes sense for, in a modern state, bank money far outweighs currency in numerical terms. It is beyond dispute that the money supply is a valuable indicator of economic trends. Broadly speaking, the less money, the less there is to spend on consumption, investment or both. Moreover, governments (or their central banks) can hope to influence money supply by adjusting the interest rate at which they lend to commercial bankers. Monetarists and their critics differ only in their assessments of the importance of this instrument of monetary policy.

The Thatcher government, consistently (to its credit) but some say wrongly, has tried since its election in May last year to follow monetarist policies. In this spirit, it has kept interest rates high, and has tried to cut its own spending. It has been more successful at the first task than at the second — or so it seemed until the money stock was seen to have jumped by five per cent in July and a further three per cent in August.

The reasons for the sudden jump in the British money supply are linked simply with the abolition (in June) of a system whereby the Bank of England sought, two years ago, to limit the growth of money (currency and bank credit combined) by restricting the rate at which individual banks could increase lending. People seeking credit were forced at some cost to go to commercial companies which are not banks and also to banks abroad. Now that the restrictions have been abolished, this informal lending has returned to the banking system, and the money supply has dramatically increased, causing widespread confusion and alarm. It remains to be seen whether the British government will be diverted from its present course by all the fuss, although the British Treasury last week was claiming that nothing had gone wrong, and that the "underlying" growth of the money supply was not excessive.

The Treasury may be right, but should know better than to peddle such facile nostrums. The money supply, although easily defined, is not easily measured. Bank money can be measured simply, but this is not the whole story. If, for example, a manufacturer persuades a supplier to give him an extra month to pay his bills, the money stock has been increased by that amount just as surely as if the manufacturer had borrowed from the bank. So the Bank of England's estimate is that attempts to control the money supply (as measured) will provoke a kind of monetary equivalent of Le Chatelier's principle — there will be compensating (but smaller) adjustments in the opposite direction.

Economists at the Treasury (and their academic colleagues) can be blamed for not having made this much crystal clear to the government, to politicians and to the public. Collectively they must also wear a hairshirt for having failed to emphasize that the control of the money supply is not an end in itself, but rather an index of how monetary policy as a whole is working. The British government's chief objective is to reduce the rate of inflation, to which end high interest rates (and reduced public expenditure) must surely contribute. A fall in money supply would indicate that inflationary pressures are abating. The converse is not however valid, as the past few months have shown. So there is every reason for the British government (if it has the nerve) to stick to its present policies, but with a more intelligent view of what the economic indicators mean. The most urgent need is, however, for a more intelligent (and effective) means of controlling public expenditure. Much of the British government's "saving" so far consists of the requirement that nationalized industries such as the telecommunications network should raise the capital they need for expansion from current users. The consequences are absurd — and inflationary to boot.

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