

“super projects” proposed herein would lead to the development of peaceful demand in the manufacturing industry as well as of technological incentives in advanced countries in lieu of arms production. Also expected would be the multiplier effects upon the national income and employment of many developing countries which would be recipients of these proposed projects.

It is to be recognized that the elapse of thirty years since the end of World War II has seen the resurgence of narrow-minded nationalism in various parts of the world, which in turn has fomented political and economic uncertainties. Now is the time for mankind to positively assert a bold and long-range vision. And that vision should be the one based upon a worldwide perspective which transcends narrow or short-term national interests. As Solomon said, where there is no vision mankind perishes.

The twentieth century has undergone bitter experiences in two world wars, yet has endeavored to reestablish a prosperous society out of the ruins of each war. The Global Infrastructure Fund, as proposed herein, will address itself toward the coming twenty-first century as a challenge to mankind for worldwide prosperity in rising out of the deep recession.

## 2. Background: International Economic Situation

The world economy today faces its gravest crisis since World War II. Although ways to escape from it or to bring about a change in direction have been sought for the last several years, confusion continues to increase. Eagerly awaited is the framework of a new economic theory coupled with a bold vision and propositions for economic policies based upon it that may dispel the economic stagnation that is otherwise expected to prevail for a long time to come. However, up to now no such new propositions have been made.

As is generally known, Keynesian economic theory, born out of the world crisis in the 1930's, has provided theoretical support for economic policies and, in particular, the anti-cyclical policies adopted by the major advanced industrialized nations since World War II. As we look back today at Keynes' contributions to economic policy, we find that first and foremost among them was his incisive criticism and refutation of the fiscal and monetary policies based on the classic gold-standard system and their failures. It was the managed currency theory advocated by Keynes that brought about the Bretton Woods system after World War II and the subsequent gold-dollar linked system in the field of international monetary policy. It also led to various effective measures in domestic monetary policies.

Second was the policy for the stimulation of effective demand. The counter-cyclical policies adopted by the major advanced industrialized nations since the latter half of the 1950's rested, in part, on policies for

### What Is MRI?

Mitsubishi Research Institute was founded in May 1970, through integration of the Mitsubishi Economic Research Institute, Mitsubishi Computing Center of Mitsubishi Atomic Power Industries, Inc., and Advanced Techno-Economic Information Center. While the shareholders of MRI are the 26 Mitsubishi corporations, MRI emphasizes that its aim is to render services and contributions not only to the Mitsubishi companies but also to society in general. MRI maintains close cooperative relations with research organs and academic circles in Japan and foreign countries, and has regularly received contracts for research projects related to the formulation of Japan's national policies.

MRI's president, Masaki Nakajima, is currently a councilor of the Keidanren, the Japanese business association. A leader in Japanese economic circles, he has served as managing director of the Mitsubishi Bank, president of Mitsubishi Steel Manufacturing Co., and in several government economic policy-making posts.

the maintenance of growth through an effective stimulation of demand in the Keynesian fashion, or the New Economics fashion which developed from it.

This Keynesian policy for stimulating effective demand operated with good results for 30 years after the war. Recently, however, its various inherent problems have become subject to discussion.

The first of these is that a policy for the stimulation of effective demand contains, by its very nature, an inflationary trend. Keynes was famous for his criticism of conservative economists who showed great zeal for hoarding gold but paid little heed to unemployment. Keynesian economic policies, however, gave rise to inescapable inflationary pressures on the economy.

The second problem was that such a policy led to increased restraints on the supply of resources by increasing consumption, both in terms of quality and of quantity, in all countries. The inflationary trend that was encouraged by growth policies was called a mere creeping inflation so long as these restraints on the supply of resources did not arise. But, a genuine inflation became evident when human and other resources necessary for growth became restricted (for instance, in West Germany and Japan), where natural and environmental resources were utilized to the utmost and full employment prevailed. The worldwide simultaneous rise in prices, which arose from the large increase in oil prices toward the end of 1973, may be described as a corollary of the Keynesian New Economics of the '60s.