



presented in the paper, with a picture of Pym, as though it had all taken place face-to-face.

The local press has also been used successfully in the smear campaign. On 9 July, the *Colchester Evening Gazette* announced:

Revealed: how KGB are trying to use the Peace Campaigners. CND AND THE RUSSIAN LINK

The article coupled details of CND's local activities with details of KGB structure and misinformation operations. The information on the KGB came from a document circulated by the Foreign Office: *Soviet external propaganda: themes and targets*. The article did make the rather unfortunate mistake of inaccurately branding the World Disarmament Campaign as having a history of 'covert KGB activities' — a charge which has produced a legal action.

In the *Daily Telegraph* two weeks ago, reporter Blake Baker analysed 'CND and the company it keeps' in a manner entirely in keeping with the MoD line. 'Ecologists and clerics march as the Trots and Marxists plot', it claimed, following the familiar theme of evil manipulation of well-meaning persons by lefty demons.

I, LIKE MANY others, have tramped around dozens of CND meetings and found thousands of ordinary well-meaning people bitterly angry about the government's smear tactics and, on other occasions, downright lies about things nuclear. It is an observable fact that at all levels CND has a considerable distaste for the pro-Soviet apologists of the World Peace Council and its affiliates. It is an arrogant and ignorant defamation to suggest, as Lord Chalfont has done, that it would be strange indeed if the CND was not substantially

assisted from Communist sources since the Soviet Union spends vast sums of money on its so-called 'peace campaigns.'

Although such talk is generally part of the smear, we have obtained a set of internal documents of the International Marxist Group, which reveal their clear intention to 'win' the recent Labour Movement against the Missiles Conference.

The IMG 'delegates briefing', marked 'Do not leave lying around', set out plans for four floor managers to organise every supporter present to try and make one of four standard speeches, pre-selected by the IMG. The aim of this was to back 'our fight for the leadership of the movement as a whole . . . this conference is not spectator sport.'

The tactic was, of course, entirely obvious. It ruined the conference by polarising instead of unifying labour movement opposition to Cruise. In a singularly unfortunate phrase, the IMG memo noted 'this conference is an unparalleled opportunity . . . there is no such thing as overkill from this point of view.'

From an organisation campaigning for 'more open and democratic structures' such behaviour is grotesque. But there is clearly no Moscow interest in the IMG, to whom they are implacably opposed. Nor, indeed, are the IMG out of step with the objectives of CND. But they have given the supporters of Cruise and the architects of the smear strategy an unnecessary weapon. □

## ECONOMICS

# Ending simple slogans

JEREMY BRAY brings some good news from America. In a frank and open atmosphere, where — in contrast to Britain — one agency does not dominate thinking, economists are working towards an alternative to floating exchange rates.

IN AMERICA'S system, the Federal Reserve Board (the 'Fed') briefs the Federal Open Market Committee (FOMC), which has to implement monetary policies. Compared to Britain, the apparatus is more elaborate, but also far more open.

I began in Washington by trying to discover why the Fed briefings don't yet employ control theory — the branch of economics that borrows heavily from the engineering of devices like auto-pilots, and therefore has much to say about what can and cannot be done towards seeking stability within dynamic systems. Professor David Kendrick, one of the leaders in this field, accompanied me.

The Chief of Staff, being unable to answer the question fully himself, simply arranged for me to see those who could, and give me the Fed's 600-page study on monetary procedures. This appears to have been seen (if not read) by most US Treasury officials. It has not prevented Milton Friedman, in his *Newsweek* column, from demanding that the Fed do more to control the money-supply. But when he goes there, he admits they could not do much better.

In America, unlike Britain, domestic monetary questions dominate international ones thoroughly: therefore, new econometric techniques are likelier to emerge on the domestic side, and those employed on the Fed's international models seem to have a 'care and maintenance' brief.

But pioneering work on control-theory applications is going on in Dr Peter Tinsley's Special Studies Section. There, forecasts are being produced which distinguish between uncertainties due to the structure of the model employed, and uncertainties resulting from random disturbances added to its behaviour.

Existing procedures encourage policymakers to think that the effects of a policy change will be predictable, however uncertain the results of base-policy. ('We don't know what we're going to get. But if we do X, whatever we get will be better by X'.) Given a more realistic apportionment of uncertainty, the over-vigorous use of policy-regulators will become less seductive.

Dr Tinsley's contribution to the Fed staff-study was to see whether the new volatility of the US money-supply might be the effect of the new administration's control procedures. He concluded that probably they weren't. But there is a trade-off which ensures that money-supply stability is paid for in volatility of interest-rates (or vice versa).

Although such work surpasses anything done in Whitehall or the Bank, it is less than Tinsley's potential. He is on record as having shown that direct targetting on inflation, output and unemployment produces better results for inflation — and for the other two — than can be done by working through the money-supply\*. Why aren't such results included in FOMC briefings?

The FOMC is not composed of 'state-of-the-art' econometricians. Many of its members are briefed by the old monetarist school of the Federal Reserve Bank in St. Louis, and others by the new 'rational expectations' monetarists of Minneapolis. Until recently the Federal Reserve had a chairman (Arthur Burns) who was explicitly hostile to control-theory: clearly, Dr Tinsley feels that his section should not produce work too far in advance of what the FOMC will listen to.

And, within the Washington office, briefing comes from many sources — the money-trading desks, traditional modellers, industry analysts, judgmental forecasters and others. Against such a background one line of briefing doesn't readily stand out.

Tinsley therefore sought to formulate the objectives required for policy optimisation in ways *not requiring interaction with policymakers*. He took the annual numerical goals for income-growth, price-inflation and employment set by the Humphrey-Hawkins Act in 1978, and chose a criterion which maximised the probability of achieving them, given the uncertainties of the model.

This is not the best use of control-theory, because it maximises the *probability of achieving unlikely targets*, instead of *ordering the priorities short of achieving those targets*. The latter approach, which implies close inter-action with policy-makers, is the one set out in evidence to our own Parliamentary Select Committee on Expenditure by a team from Imperial College. I like Dr Tinsley's treatment of uncertainties: he liked the way the Expenditure Committee's evidence dealt with ordering of priorities.

Given the interest of the Governors of the Federal Reserve — and one of them, Lyle

\**Journal of Econometrics* 15, 1981.

## SOMETHING YOU OUGHT TO KNOW ABOUT

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