

# ECONOMIC DIGEST 1 $\frac{1}{4}$

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Address: 18 SOUTH STREET, LONDON, W. 1

# Economics of Parenthood

*Extracts from a preliminary report issued by a joint Committee of the Royal College of Obstetricians and Gynaecologists and the Population Investigation Committee (July, 1947).*

THE expenditure associated with the birth of a baby, quite apart from the subsequent maintenance of the child, is a financial burden which for many families is likely to be a deterrent to parenthood. In spite of its importance from this point of view, no detailed investigation of the extent and nature of the costs of child-bearing has previously been carried out on a national scale. Surveys have shown an inverse correlation between family size and income, but have scarcely mentioned the specific and immediate impact on the household budget of an addition to the family.

The detailed study of the economic aspects of childbearing, described below, provides some of the basic information necessary for formulating a population programme. The analysis of actual expenditure on particular items of cost shows where grants, subsidies and other forms of assistance are likely to prove of greatest help.

The aim of this investigation was to obtain from every mother interviewed a statement of the amount of money she had had to spend on medical costs and other specified items connected with the birth of her child. The original cost of borrowed or "handed down" clothes or prams was excluded from the budget, which was limited to actual payments by the mother for this birth alone. For this reason, and because only specified costs were considered, the figures below represent minimum expenditure.

The Cost Survey was undertaken during the period of controlled economy. Rationing and price control were in full operation, and second-hand goods were scarce and costly. These circumstances would tend to minimize differences between the expenditures of mothers of different occupational groups.

A total of 6,337 mothers of known occupational status recorded information on expenditure. This figure includes 312 unmarried mothers, but as they have special economic and domestic problems, and frequently receive free institutional care, significant comparisons between their expenditure and that of married mothers cannot be made. The group of unmarried mothers has therefore been separated from the rest.

Only the well-to-do mothers spend very large amounts on pregnancy and childbirth. On the other hand, many of the poorer mothers spend quite substantial sums, especially on first births.

The average outlay of all married mothers in the sample is £32, but average expenditures of mothers in the different occupational groups deviate widely from the overall mean.

Table 1 shows the heavy expenditure on childbirth incurred by families of every occupational group. Expenditure, it is true, decreases with the decline in status, but this decrease is scarcely proportional to the income differences between the groups. Mothers in the professional and salaried group spend on their first children almost twice as much as do wives of agricultural workers, the outlay of the other groups falling within these limits.

*Medical and institutional fees.* Separate tabulations for the costs of medical advice, of obstetric care and of hospital or nursing home treatment are not yet available, and these items are therefore grouped into the one category of "medical and institutional fees" in Table 2.

Table 1. *Total expenditure according to order of birth and occupational group*

Order of birth	Average expenditure of wives of					All married mothers £
	Professional and salaried workers £	Black-coated wage earners £	Manual workers £	Agricultural workers £	Men in other occupations £	
First births	57.0	44.4	35.6	31.6	47.5	39.5
Second births	45.5	31.8	25.4	19.3	39.1	29.1
Third births	47.4	30.5	22.7	18.4	32.8	25.8
Fourth births	52.3	21.6	20.3	16.2	28.3	22.4
Fifth and later births	39.5	23.1	15.9	13.9	31.8	17.6

Table 2. *Average medical and institutional fees of the occupational groups*

	Average expenditure of wives of					All married mothers £
	Professional and salaried workers £	Black-coated wage earners £	Manual workers £	Agricultural workers £	Men in other occupations £	
First births	17.5	9.3	5.9	5.8	12.8	7.9
Subsequent births	16.4	6.8	4.2	3.4	9.2	5.9

The professional and salaried group spend on first births twice as much as the black-coated group, and about three times as much as either the manual or the agricultural workers' groups. In each group more is paid for first than for subsequent births, the difference being proportionately greatest for the agricultural workers.

These differences are largely to be explained by the greater proportion of well-to-do mothers being confined in nursing homes. Mothers confined in nursing homes spend on the average seven times as much as mothers confined at home, and four times as much as mothers using the public wards of hospitals. It is also explained by differences in the quality of the nursing homes and the length of time the mothers stay in them, by differential expenditure on specialist and private doctors' fees, and by Local Authority schemes of differential assessment of hospital charges and midwives' fees for the different income groups.

*Other confinement costs.* The combined average expenditure on extra help of every kind, and also the cost of medicines and anaesthetics, is shown in Table 3.

Table 3. *Other confinement costs for first and subsequent births*

	Average expenditure of wives of					All married mothers £
	Professional and salaried workers £	Black-coated wage earners £	Manual workers £	Agricultural workers. £	Men in other occupations £	
First births	3.3	2.0	1.7	2.2	2.2	2.0
Subsequent births	6.8	2.7	2.4	2.2	4.6	3.1

Average outlay on these costs is small, but it is perhaps rather misleading to state these costs as an average, since many mothers pay nothing at all, whereas a few are involved in high expenditure. For example, very high costs are incurred by mothers of the professional and salaried group who are confined at home and employ resident maternity nurses. The wives of farmers, also, are often involved at the end of pregnancy in considerable expenses in engaging substitutes to take over their work on the farm. This is the only type of expenditure in which more is paid for subsequent births than for first births. This is mainly due to the need for employing extra help to look after the children, at least during confinement.

*The cost of clothing and equipment.* This type of expenditure includes outlay on special maternity garments worn during pregnancy, the cost of baby clothes and the cost of prams, cots and the baby's bath.

Table 4. *Average expenditure on maternity garments, baby clothes and equipment*

Cost of	Expenditure of wives of					All married mothers £
	Professional and salaried workers £	Black-coated wage earners £	Manual workers £	Agricultural workers £	Men in other occupations £	
Maternity garments :						
First births	10.8	8.5	6.6	4.6	8.7	7.3
Subsequent births	7.6	5.4	4.3	2.8	6.1	4.7
Baby clothes :						
First births	11.0	11.2	10.1	9.3	10.5	10.3
Subsequent births	7.4	7.3	6.9	4.8	7.4	6.9
Prams, cots, etc. :						
First births	14.4	13.4	11.3	9.7	13.3	12.0
Subsequent births	8.2	7.8	6.3	4.3	7.9	6.6

The outlay made at the birth of a first child stands at a high figure in every group. Married mothers with a first child pay almost £30 on all items taken together. The corresponding expenditure on later births is much less, being in the region of £18. The large difference between the sums spent on first and on subsequent births in every occupational group may be in part due to shortage of these goods and to clothes rationing. Mothers can only buy the minimum of articles they require, and clothes and equipment bought at the birth of a previous child are used again.

The effects of rationing and price-fixing are particularly obvious in the expenditure of different occupational groups on baby clothes and prams. These items are essential, and in order to obtain them at all, wives of manual workers have to pay almost as much as wives of professional and salaried men, *i.e.*, £21 as compared with £25 for first births.

*The distribution of expenditure among the different items of cost.* The proportion of the total outlay spent on each item of cost is shown for each occupational group in Table 5.

The professional and salaried workers' wives spend relatively about twice as much on medical and institutional fees as manual workers' wives, and the relative expenditure of the other groups lies between these extremes. But this situation is reversed when it comes to expenditure on clothing, prams and cots. Poorer mothers spend three-quarters of their outlay on necessary clothes and equipment but well-

to-do mothers spend less than two-thirds of their total outlay on these goods for first births, and only one-half for later births.

Table 5. *Proportion of total outlay spent on various items of expenditure*

	Total outlay of wives of					All married mothers %
	Professional and salaried workers %	Black-coated wage earners %	Manual workers %	Agricultural workers %	Men in other occupations %	
<b>First births :</b>						
Medical and institutional fees	30.7	21.0	16.4	18.4	26.9	19.9
Other confinement costs	5.7	4.4	5.0	6.9	4.6	5.0
Cost of maternity garments	19.0	19.2	18.5	14.6	18.3	18.5
Cost of baby clothes	19.4	25.2	28.2	29.2	22.1	26.1
Cost of prams, cots, etc.	25.3	30.1	31.8	30.8	28.0	30.4
<b>Total</b>	<b>100.1</b>	<b>99.9</b>	<b>99.9</b>	<b>99.9</b>	<b>99.9</b>	<b>99.9</b>
<b>Subsequent births :</b>						
Medical and Institutional fees	35.3	22.5	17.5	19.3	26.2	21.6
Other confinement costs	14.8	9.1	10.0	12.7	13.2	11.0
Cost of maternity garments	16.4	18.0	17.7	16.3	17.4	17.5
Cost of baby clothes	15.8	24.5	28.6	27.4	21.0	25.5
Cost of prams, cots, etc.	17.6	25.9	26.2	24.3	22.3	24.5
<b>Total</b>	<b>99.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.1</b>	<b>100.1</b>

The conclusions of the Committee are that in spite of the great improvements in the maternity services that have taken place since the 1918 Maternity and Child Welfare Act, there is still great inequality in the care received by different social groups. In certain aspects, particularly post-natal care of the mother, and the provision of analgesia, there is room for considerable improvement for all classes.

The costs of childbearing are so high that they are likely to deter many mothers of all classes from having children. Although the lower social groups spend, in actual figures, less than the more prosperous, however, in proportion to total income, the working-class family is almost certainly paying much more. The birth of a baby in many poorer families—even when they have been fully assessed for the medical costs of the confinement—must mean that the family budget can only be balanced by borrowing or drawing on savings. It has been said that children are “the chief cause of poverty”, and this inquiry shows that the drain of family expenditure begins sharply at the birth of the first child. The various forms of assistance to mothers, such as maternity grants and pre-natal allowances for servicemen’s wives, go only a little way towards reimbursing this expenditure.

### RESPONSIBILITY FOR BRITAIN’S OVERSEAS COMMERCIAL POLICY

The *Board of Trade Journal* has published an article, on this subject. It discloses a considerable division of responsibility. “The general relations of the United Kingdom with foreign countries, in which economic questions play an important part, are a special responsibility of the Foreign Office.” But “Trading interests” come under the Board of Trade, and the “financial position” is “a special responsibility of the Treasury”. Ultimately, “responsibility for any matter of major policy is that of his Majesty’s Ministers collectively”. Then “there are also a number of other departments (e.g., Food, Civil Aviation, and Fuel and Power) which are associated in their respective spheres with the three departments principally concerned in the formation of economic policy towards foreign countries”.

# London Banking and World Trade

By PAUL BAREAU

(Deputy City Editor, *News Chronicle*; Joint Editor, *The Banker*).  
Extracts from address given under auspices of London Liberal Party.

NO other industry has made such an effective job of its reconversion to peacetime duties as international banking. During the war these activities fell to abysmally low figures. The Government handled most of our foreign trade; shipping, the trade in bullion and in international securities. Many of our overseas banks found the territories in which they operated overrun and occupied by the enemy.

In the ten years before the war overseas banking services earned this country an income which averaged between £15 and £20 million a year. Last year that income has risen to about £30 million, much of it earned in hard currency. In the 1930's the volume of bills on London drawn on overseas account averaged £150,000,000. Towards the end of the war it had fallen to about £12,000,000. Now it probably totals over £200,000,000.

What accounts for this astonishing recovery? It is astonishing because sterling is not quite what it was! Its position has been undermined by the sale of overseas assets, by the overseas debts incurred in saving ourselves—and others—in the war. It is not the completely unconditionally convertible currency it was until 1939. When placed in juxtaposition with the strength of certain other currencies, such as the U.S. dollar and the Swiss franc, this makes the return of the sterling bill on London, the resurrection of London as *the* international banking centre, even more of an achievement than it would otherwise be.

How do we explain this revival? One negative factor is the virtual absence of any effective competition. One might have thought that American banks, for example, would have been admirably placed to supply most of the available demand for international commercial credit. But the competition from the commercial banks of the United States in the financing of international trade has been negligible.

## Little Competition from Wall Street

To an American bank a foreign credit must be a 100 per cent. secured credit, whereas more than half the acceptance and cash credits granted by London to finance overseas trade are completely unsecured. I am not suggesting that American credit and capital have not been extended. But they have tended to follow closely in the wake of American exports.

This absence of competition is a measure of the quality of the instrument of international finance we have in London. Our merchant bankers, overseas banks, and even our essentially domestic clearing banks, have developed a flair for this business and have acquired a clientele and a network of agents which cannot to-day be matched by any other banking system. Underlying all this there is in London a market in which commercial bills can be sold as easily and as cheaply, as anywhere in the world. This discount market has kept its machine ticking over on the business of handling Government paper and in the past few months it has played its part in the revival of London as a world banking centre.

The merchant bankers have again given proof of that quality of adjustability which has been the secret of their past greatness. Since the end of hostilities they have either re-established old links or made new ones with the countries of South

America, with the Middle East and the Far East. They and their associates have tended, in some cases, to place greater emphasis on the merchant part of their name merchant banker—a welcome and constructive development.

Sterling is still the currency which serves as anchor to the values and trade of a large part of the commercial world. In spite of the stresses and strains to which it has been subjected it has maintained its values and still holds the confidence of the world at large. How else can we explain the fact that quite a large volume of trade between non-sterling countries is done on a sterling basis? An essential element in that confidence is the knowledge that sterling has been allowed to become more and more freely available for expenditure in any part of the world, and that it is moving towards complete multi-lateral convertibility for current trading transactions. That progress towards full convertibility, plus our membership of the Bretton Woods system, has helped to sustain world confidence in sterling in spite of the difficulties which we have been and are undergoing.

### **Sterling makes for Stability**

If we want to remain bankers we must honour the cheques drawn on us. It will be difficult enough to avoid to refuse such payments in the arrangements that have yet to be made for treating wartime accumulations of sterling—that very special category of debt; no case could be made for refusing to honour cheques drawn on the current accounts we keep here for overseas countries.

Informed opinion in Washington is now beginning to understand that the cohesion of the sterling area during and since the war, and the payments and monetary agreements we have made since the end of the war, have been a valuable element of stability in the world situation. These agreements are in fact being dovetailed into the mechanism of the International Monetary Fund. They are entirely consistent with the Bretton Woods philosophy. Their existence and the machinery they have provided for making payments and for ensuring stability of exchange rates not only among sterling area countries but between that area and other countries, have played a great part in reviving London's role as an international financial centre. They have helped to get trade moving. By establishing sterling as the currency in terms of which a large part of world trade is expressed, they have contributed to the return of the sterling acceptance credit and of the bill on London as the finest instrument for financing world trade.

A strictly controlled exchange and the requirements of an international financial centre and of a great merchanting community are things that do not normally mix well. We have given evidence of the qualities of compromise and improvisation in the way in which we have married the needs of an effective control of exchange to the opposing needs of a country which lives by its overseas trade. This reconciliation was achieved by the greatest amount of delegation, by leaving much of the administrative work and even a certain measure of initiative on policy to the commercial banks.

The credit for working exchange control so smoothly belongs in the main to the Bank of England. Nationalisation has given the Bank new power and enhanced status, particularly in dealing with the gentlemen in Whitehall. It has first-class personnel. The young men chosen by the discerning eye of Lord Norman during his long governorship of the Bank are now coming to the fore. They may have been nationalised, but they neither look nor behave like civil servants, and the influence they exert in such directions as the policy and administration of exchange control has been all to the good and has undoubtedly helped London to regain its predominance as an international financial centre.



In making that recovery we have in some respects been living on what we have inherited from the past—a banking and money market mechanism, a far flung network of overseas branches and agencies and correspondents, a reputation for fair dealing and credit worthiness. All these were built up over many decades, when we had ample resources to lend overseas.

We are again making credit available to finance foreign trade—even foreign trade which never touches this country ; we are financing such diverse transactions as shipments from Brazil to Belgium, the processing of goods in Italy and Japan, the sales of Australian wool to France. When, after July 15, sterling arising out of current transactions becomes a fully convertible currency, the opportunities for transacting this kind of financial business will no doubt increase still more. But in engaging in this type of operation, the short-term export of capital, we are living on our wits, lending what we have not got. That has for a long time been the prerogative of the banker in the domestic field and we need not be afraid of applying it internationally—provided we pick our risks wisely, keep our commitments within reasonable bounds and charge for our banking services a fee commensurate with the risk involved.

We must, for the time being, keep looking at the rate at which we are exhausting our dollar credits ; making sure that we keep our commitments, not merely within the bounds of what is safe and good business, but within the bounds of what we can safely afford to lend. We cannot be successful international bankers for any length of time unless there is in this country a healthy economy, a balanced account of international payments. We may for the time be doing quite well on the skill, machinery and reputation we have inherited. But we can only remain our own masters if we create the wherewithal to be bankers and not merely bankers' agents.

If our free markets are to be sacrificed to doctrinaire zeal for the alleged tidiness and simplicities of bulk buying and State trading, it will not be long before our international banking business is stifled. Banking of this kind cannot be divorced from the reality which it serves. What is at stake, therefore, in the choice between free markets and State trading in this country is not merely the comparative efficiency of these two types of merchanting organisation but all the ancillary activities and profits that depend on the free market. Among these our international banking business is our most profitable and also our most vulnerable single asset. It has recovered magnificently since the end of the war, and is helping us to make ends meet in our transactions with the rest of the world. We shall need that contribution more than ever in the difficult years that lie ahead, and it would be criminal folly to allow political prejudice or doctrinaire zeal to endanger that source of external income—one of the few which to-day is yielding more than it did before the war.

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### MINERS' POINTS IN GERMAN BLACK MARKET

Military Government authorities attribute primarily to the "miner's points scheme" the satisfactory results listed in the North German Coal Board's report. The coalmining labour force has increased by 23,000 during the first three months of the year. Absenteeism has fallen steadily. However, the *Telegraf* makes criticisms of the points system. The miner with a low wage of 100 marks to 150 marks a month will find it hard to buy all the goods to which his points card entitles him. He may have to sell up to half his cigarette ration and his whole liquor ration, plus all his "on points" clothes and crockery. 600 marks is already quoted as the firm black market price for 100 miner's points.—*Manchester Guardian*.

# Economic Burden of Japan

*Condensed from THE TIMES REVIEW OF INDUSTRY, May, 1947*

JAPAN'S economic situation is becoming increasingly critical; shattered by war, and beset by new difficulties since the occupation, Japan has failed to revive her industry to the extent which had been anticipated by Allied General Headquarters. Unless she can greatly increase essential industrial production during the next seven or eight months her recovery is likely to be seriously retarded, and she might then long remain a burden on the allies. Her adverse trade balance with the United States, after 18 months of occupation, amounts to at least \$180,000,000, and this covers little more than imports of needed food, fertilizers, and raw cotton.

Since October, 1946, owing to a variety of causes, industrial production has shown a downward trend. Stock piles of raw materials accumulated during the war are already largely exhausted. Though it is estimated that there are at least 2,330,000 metric tons of recoverable iron and steel scrap in Japan, its processing is gravely hampered by lack of coal. Output of coal, the most vital factor in Japan's economic rehabilitation, is still far below the minimum requirements of her post-war economy, although it has risen steadily from 550,000 metric tons during November, 1945, to 2,000,000 in December, 1946.

As a consequence of war-time efforts to increase coal production, Japan's mines were exhausted and their equipment worn out. Recently a joint industry and Government committee was established to expedite the rehabilitation of the mines; high priorities on materials and power have been granted to plants for the manufacture and repair of mining machinery. The Supreme Commander Allies in the Pacific has approved the allocation of credits totaling 822,689,000 yen to 12 restricted mining concerns. It is estimated that the total sum required for the rehabilitation of the industry, exclusive of housing, is 1,500,000,000 yen. Unless, however, all Japanese coalmine owners, manufacturers of mining machinery, and both Government and private agencies wage a joint campaign during the first half of this year to accumulate stocks for next winter, economic progress will be seriously affected.

## **Black Market and Inflation**

Another factor hampering Japan's economic recovery is the widespread black-marketing of industrial raw materials. S.C.A.P. has recently discovered that, in the Osaka district alone, 1,500,000 tons of coal have been diverted to the black market. Half the total output of electric motors has found its way into illicit channels. Large quantities of hide and leather goods produced and sold on the black market were confiscated during January. As the Chief of the Industrial Division of S.C.A.P. recently pointed out, until the diversion into the black market of badly needed materials can be eliminated, real reconstruction is impossible and Japan will continue to present a poor case before the world for the allocation of food and other scarce commodities.

Inflation is constantly worsening, with a daily increase in recent months of Bank of Japan notes in circulation of some 700,000,000 yen. It is estimated that the cost of living for Tokyo wage-earners is now some 2,000 per cent. higher than at the end of the war, and that food prices are at least 65 times those of 1937. Salaries and wages have not increased in similar proportion, and great numbers of Japanese, particularly the millions of Government employees, are able to live only by selling their possessions.

Labour troubles, too, have seriously hampered industrial recovery. Up to

January 31, 1947, when General MacArthur prohibited the general strike planned by Government workers, unrest in all industries was very marked.

Perhaps the greatest factor retarding Japan's industrial recovery is uncertainty about reparations. Japanese business men are chary of showing initiative out of fear lest their endeavours might be expended on facilities which will eventually be removed. Although it is now generally believed that comparatively little will be extracted from Japan, confidence is still wanting.

### Barriers Against Private Trading

Trade with Japan is still on a Government-to-Government basis. In the autumn of last year an Inter-Allied Trade Board, on which the 11 nations which took part in the war against Japan are represented, was formed within the framework of the Far Eastern Commission in Washington. This body is purely advisory. Actual trading with Japan is still the concern of the individual Governments concerned, which negotiate with S.C.A.P. through their own representatives in Tokyo.

The function of the Inter-Allied Trade Board is to advise S.C.A.P. what commodities are available for export to Japan and what Japanese products are desired in exchange. It cannot insist either upon quantities or prices, the actual allocation being determined by S.C.A.P. The Board is not viewed with any great favour by the American authorities here, who seem concerned lest it should attempt to make its functions more than advisory.

On March 5 the American Trading with the Enemy Act was modified so as to remove most of those restrictions that applied to Japan, but that concession did not obviate the necessity of complying with the regulations of this military theatre. Business transactions involving Japan are possible only if specific permission is obtained from S.C.A.P. Great efforts are made to prevent members of the Occupation Forces from acting as intermediaries in commercial or financial transactions (though some undoubtedly do). When the barriers against private trading are removed, the most promising fields for export will probably be silk fabrics, cotton finished goods, native handicraft, light manufactures, and chemicals.

In a recent memorandum to the Japanese Government S.C.A.P. recommended the attainment of a plant capacity of 4,000,000 spindles for the cotton textile industry as an interim level "to allow for the possibility of a moderate expansion in exports in the next few years." This temporary level, it was stated, should assist in providing a domestic standard of living approaching that of 1930-1934.

The cotton industry now has approximately 3,870,000 spindles, including those in storage, compared with a pre-war peak of approximately 13,000,000. Statistics compiled by S.C.A.P. indicate that it will be necessary to operate at least 3,500,000 spindles in order to produce the 258,000,000 lb. of cotton products which, it is expected, will be exported and the 427,560,000 lb. required yearly for the domestic consumer and the industrial needs of peace-time Japan.

Recently, important steps towards the resumption of the large-scale export of cotton textiles, which may be considered as the backbone of Japan's foreign trade, have been taken by the Japanese Government. Most of the early shipments will go to Japan's traditional Far Eastern customers, but Sweden has placed an order for 11,500,000 lin. yds. to be shipped in April and May. Exports of fabrics may, it is estimated, reach 400,000,000 lin. yds. during 1947. This quantity would not even remotely approach the pre-war peak of approximately 3,000,000,000 yds.

The fabrics have been woven from Commodity Credit Corporation raw cotton, imported from the United States, as well as from some pre-war stocks of yarn. The United States Commercial Company has now relaxed its restrictions on the sale of cotton textiles produced by Japan in order to permit sales generally to any country in need of them.

In an attempt to prevent the so-called "Big Ten" Japanese cotton companies from retaining a virtual monopoly of the spinning industry, S.C.A.P. recently prohibited them from acquiring a greater number of spindles than the Japanese Government reported they owned on January 31, 1947. How far such action will succeed in breaking the monopoly is at present unpredictable.

S.C.A.P. has stated that it is intended to encourage the development of light machinery and chemical industries in Japan to the extent of meeting her own peace-time requirements and those of other nations in the Pacific area. The Philippines, China, and Siam need textile machinery, railway parts, and canning machinery. Japan will also be encouraged to produce generators, turbines, machine tools, caustic soda, sulphuric acid, and other heavy chemicals. In this connection it is interesting to note that the capitalists who have emerged since the dissolution of the great companies are investing heavily in the machine tool and chemical industries. Out of a total of 2,817 companies capitalized at more than 1,000,000 yen each, 1,333 are engaged in the manufacture of machine tools, and 477 in chemical industries. (The spinning industry ranks third, with 165 companies, the aggregate capital of which amounts to only 6 per cent. of Japan's industrial capital.) Great efforts have been made by S.C.A.P. to break the private monopolies, but there are indications that before long new ones will be formed. Again, the Japanese Government appear to be desirous of exerting a substantial measure of control over Japan's future foreign trade. It is impossible, at this stage, to predict what effect these developments will ultimately have on wages and prices, which are now subject to the present vicious inflation.

At present American concerns in business in Japan are the National City Bank of New York, the American International Underwriters Corporation, the telegraph companies, and the Army post exchanges. At the post exchanges members of the Occupation Forces may buy virtually anything from chewing gum to motor-cars. These concerns trade in dollars.

### **Opportunities for British Business**

In an attempt to increase the production of cocoons the Japanese Government some time ago made public a five-year plan for the restoration of the silk-reeling industry. The plan called for the restoration of mulberry farms, filatures, and other equipment so as to raise the production of raw silk to 238,000 bales in 1950 and to 321,000 bales in 1952. Shortage of fertilizer has been one factor retarding the development of the silk industry, shortage of labour another. The industry employs large numbers of female workers, many of whom are normally recruited from the farming areas, which to-day are so prosperous that the farmers no longer need to put their daughters out to work.

Among imports received during February were 79,500 metric tons of phosphate rock, supplied principally by the United States. As far as exportable chemicals are concerned, Japan has large reserves of sulphur. The price of sulphur in Japan is now pegged at the inflationary level of 980 yen a metric ton, but it is expected that as soon as Japan's economy is stabilized the sulphur industry will be in a position to operate throughout the world on a competitive basis.

There should be a number of opportunities for British business men in Japan once the present system of Government-to-Government trading is abolished, or at least modified, and Japan is allowed to re-enter world markets. If Japanese industry is not permitted to go beyond the level of 1931 there should be room for imports from the United Kingdom. If the monopolies are not allowed to reform it will be an additional advantage. Further, Japan should be of value to the Commonwealth, at least for some time, by supplying the Colonies with the cheap textiles they badly need. But the disadvantages for British business are many. Japan is likely to become again a competitive exporter in the world's market, supplying, instead of the "cheap but poor" goods for which she was known before the war, "cheap but good" articles. The British exporter to Japan will find American products in evidence, with British marks almost forgotten, and he will be at a disadvantage *vis-à-vis* his American competitor. The streets are full of American cars belonging to the Occupation Forces, and the black markets are well supplied with American goods illicitly obtained from the post exchanges. S.C.A.P.'s present policy is to build up dollar assets for Japan, and if a welcome is given in the immediate future to any foreign private buyers it will be held out only to those who pay in dollars for Japanese manufactures which do not use up an excessive amount of vital raw materials. As far as imports are concerned, any importer would be required to show that his goods fit into the narrow pattern of essentials for Japan as determined by allied headquarters. There are therefore few prospects for British business in Japan as long as the present controls continue.

#### DUTCH—BELGIAN ECONOMIC UNION

The preparatory stage towards BENELUX—the Belgian-Netherlands-Luxembourg Customs and Economic Union—has been concluded.

In view of the wide divergence between the Dutch and Belgian tariff systems, the formation of a uniform tariff was a difficult task. The Dutch tariffs were "ad valorem", the Belgian "specific"; while the Dutch tariffs were principally of a fiscal nature, the Belgian were protectionist. A compromise was reached by a material increase in the Dutch rates.

Agreement on excise has practically been reached—a remarkable achievement. The introduction of uniform sales and turnover taxes will be more difficult, as the Dutch and Belgian systems have little in common.

In the I.T.O. discussions at Geneva, Holland and Belgium, by means of a joint delegation, will pursue the same policy. If economic union is realised, "Benelux" trade with foreign countries will place it third among the world's trading nations, but the removal of all trade and currency barriers and the achievement of monetary union is still far off. It cannot be achieved until there is a considerable equilibrium in resources, in the foreign exchange position and in prices. However, Belgian and Dutch committees are reviewing the supplies of various products and goods in the "partner" countries. As soon as the prices of a product show only a small divergence, frontiers will be opened between the Benelux countries for it.

Monetary union presumes uniformity in direct taxation and in the total wages and social burdens. In this connection preparatory work is being done.

The main basis for the success of Benelux is the untiring enthusiasm with which the authorities in the three countries are working for the union. The Benelux countries will form a new and powerful force in world economics.

(Condensed from the *Financial Times*)

# Problems of Management.

*Views from The Times, Manchester Guardian, Mr. Seebohm Rowntree and others.*

COMMENTING on the Ministry of Education's Report on "Education for Management", a Special Correspondent of *The Times* wrote: "Management is the creative force which organizes and inspires the day-to-day conduct of a business, without which full efficiency is impossible. The present crisis is peculiarly a challenge to the quality of British management. The shortage of many raw materials and of modern equipment is so evidently a limiting factor in the productive effort that there is a tendency to overlook the large contributions to higher output which lie within the province and power of management. It is true that mechanical re-equipment and a full flow of materials will be decisive in the middle and long term. But these cannot be achieved in time to be of much assistance in the next critical year or two. The short-term remedy, while the ordeal is most critical, lies in the willingness of the workers to work and in the ability of management to make the most of the resources already available.

"Is the quality of British management good enough? At its best, certainly. Over industry as a whole, however, it has been much criticized for being out of date and unwilling to learn. A good deal of this criticism has been ill-formed and unfair, but by no means all. Management is both art and science, and while British business has given proof of a marked national aptitude for management as an art, it has tended to be sceptical of what science can add to management. It has lagged in consequence. There has been a temptation to rely on "getting by" without bothering much about the need for a scientific analysis of methods, study, and training. There has been a tendency to discount such things as not worth the serious attention of practical men with a record of success behind them.

"Scientific management is neither cult nor mystery. It is the application of the scientific method to the problems of industry. It includes specialized technical knowledge, such as time and motion studies, staff management, with its methods of psychological selection and training, market research, and the interpretation and use of statistics. It embraces a general knowledge of the principles of administration. It is concerned with the knowledge of human behaviour derived from a study of industrial sociology and industrial psychology."

## Fundamental Change of Attitude

In a leading article, "Democracy in Industry", *The Times* began by saying that all the three main political Parties and the T.U.C. are now all advocates of what is loosely known as industrial democracy and in particular are concerned to promote the establishment of machinery for consultation between management and workers in industry. The article quoted Mr. W. B. D. Brown, of the Glacier Metal Company, as saying that the phrase "joint consultation" should convey an attitude of mind rather than a clearly defined process. Its function is "ultimately to get rid of the division of factories into 'bosses and the rest' which still colours the background thinking of most people. This means that there must be quite a fundamental change of attitude on the part of most management and supervision. People tend to believe that in order to carry responsibility they must have the power to make arbitrary decisions. . . . That is a wrong conception of management."

The article concluded by saying: "The means of information, consultation, and collaboration are various, and comprehend far more than works councils and committees. The subject-matter of consultation includes potentially any question in which workpeople are or ought to be interested, other than issues more appro-

priate to collective bargaining, from the firm's finances and output to holiday arrangements and safety rules. While the whole effect of joint consultation should be to make for team work and higher output, the assumption that actual problems of production should be the principal topic of consultation is quite wrong. Technical matters are mostly for technical people. The most urgent need in industry is for management to understand that the skill which it applies to the technical factors of production has not yet been matched by any equivalent skill in controlling the human factors.

### New Deal in Industrial Relations

Many employers are still insufficiently aware that the working group is a miniature society and that for its proper functioning most of the arts of social management, themselves the essence of leadership and co-operation in a free society, are as important as the technical management of machinery and inorganic processes. It is perhaps for the employers, in response to the appeals of all parties, to take the first difficult steps towards a "new deal" in industrial relations. But it is certainly no less important and necessary that trade union leaders should exert all their influence to the same end of economic partnership, even though the new machinery of consultation may encroach upon functions which in the course of history have been assumed by trade unions.

Mr. B. Seebohm Rowntree, in agreeing that much more than consultation committees are needed if workers are to be induced to give of their best, suggested that "Democracy in industry must be based on the same principles as democracy in a State. In a democracy:—

"(1) *The people make their own laws.*—In a factory the 'laws' which affect the lives of the workers are the factory rules. They should be made by the 'order givers' and the 'order takers' in consultation, and they should not become operative until they are agreed to by both parties.

"(2) *The people appoint (somewhat indirectly) the officers who administer the laws.*—In an industrial enterprise the workers are willing that the high officials shall be appointed by the directors. The officials in whose appointment they are vitally interested are the overlookers. It is these with whom they are constantly brought into contact, and it is these who can make the hours spent at work happy or miserable. A representative of the workers in the department concerned, usually the shop steward, should always be associated with the representative of the management in the selection of an overlooker.

"(3) *People are protected by an impartial tribunal from maladministration of the laws.*—This objective should be attained by the appointment of an appeal committee, consisting of, say, two members elected by the workers, two appointed by the directors, and an agreed chairman, who must have a vote. Any person who is punished for a breach of works rules, or for misconduct, should have the right to appeal to this committee, whose decision should be final. This proposal may shock some employers, but they need not be afraid of it. It is just that a man accused of a fault shall be tried by an impartial tribunal.

"(4) *People have full liberty to express their views freely in speech or writing.*—Workers should be free to express their views on any matter concerned with the enterprise, to criticize methods of management, but not individuals, and to air any grievances they may have. This will normally be done in the works council.

"The introduction of these four principles of democracy into an industrial enterprise will pave the way to a state of true co-operation between capital and labour, but to reach that goal it is important—nay, it is essential—that the worker

through their chosen representatives (usually the members of the works council), shall be told as much as possible about the enterprise in which they are engaged. They should be made to feel that they are not just cogs in a machine, but 'part of the show'."

Writing on the same subject, Mr. Edward Whitehead, General Secretary, British Association for Commercial and Industrial Education, said: "I would now go further and suggest that by the introduction of discussion groups at all levels within the organization, among older as well as younger employees, seniors as well as juniors, it would be less difficult to convey to all some appreciation of the problems of management, a sense of shared responsibility, being part of a team participating in a joint enterprise that must stand or fall by mutual effort. The introduction of discussion groups for this purpose encourages the active participation of all, not only the elected representatives. Moreover, I contend that discussion groups have the effect of facilitating the election of a better average representative for, say, a joint production or other committee. It is the nature of things that the 'pushing', loquacious type, often with an 'axe to grind', tends to lose ground in a well conducted discussion group. Rather, it is the quiet, steady, sound fellow who stands out as a better choice. The election of such a representative is itself a contribution towards the smoother working of a joint consultative committee.

### Discussion Group Technique

"By making such use of the discussion group technique, it is not only possible to convey to the 'rank and file' a real sense of participation, an appreciation of the fact that their individual contribution matters and really does fit into a pattern, but full acknowledgment is made to the potency and social significance of the group. As you so rightly say, many employers are still insufficiently aware of the importance of this factor."

In a letter to the *Financial Times* a Union member wrote: "In blaming the worker for falling productivity, I think we are tackling a symptom rather than the cause of the malady. No man works harder than he is compelled to on any routine or repetition job and neither nationalisation nor appeals for co-operative effort will ever alter this psychological fact. The reason men are not working as hard as they did in pre-war days is that managements have eased off on supervision and drive. Before the war, competition forced down prices and any manufacturing concern that hoped to survive had to drive both management and workers. To-day the demand for all products exceeds the supply and since profit-taking is no longer threatened by competitive price reductions, nobody has any personal need to worry about output per man-hour. There is nothing deliberate or vicious in the general ease-up. It is just a question of absence of fear and urge at the top making things a little easier for every man in industry."

The Special Correspondent of the *Manchester Guardian* emphasised many of the same points: "It is in the factories that the effort must be made. There can be no production campaign unless individual firms set themselves targets for higher output and find ways of reaching them.

"This, of course, is a job for the factory as a whole, for all the members of the working unit. The directors and general managers must usually make the first move. They have to formulate the broad plan of operations. This step in the production drive is often taken for granted. In practice the will to increase output at the head of many firms is too weak to start the sort of effort that is needed. The financial returns from an increase in turnover are often fairly small. Most firms at present have little difficulty in earning profits as large as they have ever done before.



When this point is reached effort often slackens. To increase production, habits have to be changed and many forms of inertia overcome.

"When the 'higher management' of a firm is determined to launch its own production drive, two things have to be done. First, it has to formulate the specific task and lay down the broad plan of campaign to carry it out. Secondly, it must obtain the support of the rest of the organisation—of the lower grades of managers down to the charge-hands, as well as of the rank-and-file workers. It is this, of course, that is hardest. The Government's campaign may make people more conscious of the general need, but even then it will be hard to get them to apply it to their own jobs. Their individual tasks have to be put to them in a way that is both intellectually convincing and emotionally compelling.

"The worker often feels that extra effort will simply put more money into the pockets of the employers. He is told that 'we're up against it', yet he knows that his firm is paying increased dividends. The employers have not helped him to understand how small a margin on the firm's turnover these dividends usually represent. Simple explanations of their accounts would often greatly increase the workers' goodwill.

"Such understanding, however, will only remove the obstacles; it will not provide positive motives for increasing output. Wages are not the only incentive needed. Everyone acts with extra energy and resource if he is interested in his job and in some way identifies himself with it. Psychologists now know something about the ways in which this interest can often be enlisted even for the dull routine jobs. Often the removal of very minor irritations can do a great deal. Probably the most important thing is that the foremen should be good leaders. The working atmosphere depends primarily on them. In the past many relied largely on the threat of dismissal to obtain good work. Now the fear of unemployment has gone and it has not yet been replaced by a fear of the economic consequences of under-production. New methods of leadership and other emotions have to be brought into play.

"For this, as well as in order to get a better understanding between workers and management, better machinery for joint consultation is needed. Many factories have abandoned this since the war ended, and in many others it is more of an embarrassment than anything else to both sides. It is either not being used for any clear purpose or one side is trying to use it for purposes that the other will not accept. If there is to be a genuine production drive in the factories some form of joint committee is probably essential. But the drive has to come first. Machinery will achieve nothing unless the management sets out to increase production and gets some response from the workers; that will depend on how well the Government and the trade unions are preparing the ground."

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### PROGRESSIVE CAPITALISM—By T. Wilson.

We regret that the following paragraph was omitted from the end of the article under the above title in the June number of *Economic Digest*.

"Of course nothing which has been said has been intended to exclude the possibility that the socialisation of certain industries may be desirable, but the evidence must be considered in detail in each case. An empirical approach of this kind implies the reversal of the Government's method of moving from the general and unsounded proposition that Socialism is in the public interest, to the taking over of as many industries as it can cope with at a time".

# Britain's Foreign Trade Problem

By G. D. A. MacDOUGAL (*Wadham College, Oxford*)

*Extracts from article in Economic Journal (March, 1947)\**

THE extract given below is the conclusion of a full-scale study of the problem of the need for Britain to export much more than before the war unless we are prepared to import much less. The article seeks to establish that—

(a) To dispense with a large part of our imports would entail extreme austerity ; (b) Our export problem, while greatly aggravated by the war, is of long standing, and bound up with the industrialisation of overseas countries ; (c) A large increase in our exports will be impossible without an expansion of world trade as a whole ; (d) Multilateral trade is of vital importance to Britain ; (e) It will also be necessary to expand our share in world trade ; (f) The quantity of exports we sell is by no means independent of their price, and that this can be greatly influenced by changes in the value of sterling.

## Formidable Export Target

The achievement of our export target, which may involve a doubling of our manufactured exports, will be a herculean task, but it is not entirely beyond the bounds of possibility. If, for example, world trade in manufactures could be increased by one-quarter, and that of Germany and Japan were halved, the trade of the other exporting countries as a whole would increase by between 55 per cent. and 60 per cent. To achieve her target, Britain would have in addition to increase her share in world exports of manufactures by rather more than one-quarter.

We shall clearly get nowhere near our target unless we can substantially increase both world trade in manufactures and our share of that trade. The Bretton Woods agreement and the proposals for an International Trade Organisation open up important possibilities in both directions.

They aim at increasing world trade by lowering trade barriers and developing multilateral commerce. They also provide two essential pre-requisites for a successful attempt to increase our share in world trade. First, they give us the right to depreciate the pound, if this is necessary to restore our balance of payments, while denying the right of competitive depreciation where this is unwarranted ; and the proposed limitations on import restrictions would also make our exports more sensitive to a depreciation of sterling. Secondly, they lay down a set of rules for the fair conduct of export trade, which is essential to us in view of the strong economic position of our main competitor, the United States.

These rules are admittedly not ideal in every detail. It may be objected, for example, that they allow the United States to make tied loans, other than through the International Bank, while we are debarred, under the Loan Agreement, from releasing our sterling balances on similar terms. There is clearly room for further discussion on this, on Imperial Preference, and indeed on every other matter. But we must never lose sight of the great advantages offered by the general principles of Bretton Woods and I.T.O. to a country attempting to raise its exports by 75 per cent.

The necessity is emphasised of preserving the right to restrict imports, so long as our international payments and receipts cannot be balanced by other means. Our need to insist on this right seems at first sight to rule out a general lowering of trade barriers. How can we expect other countries to break down their barriers and let

\*The article will shortly appear in a book entitled **The Economic Position of Great Britain**, and these extracts appear by permission of the publisher, John Westhouse.

in our exports if we preserve the right to exclude theirs by import restrictions? But it is precisely this apparent impossibility that I.T.O. would make possible, by allowing countries with an unfavourable balance of payments to impose import restrictions, while in general denying the right to others. The double advantage of this provision to ourselves is apparent, and being an eminently reasonable general proposition, it has also a good chance of widespread acceptance; which country, after all, can be sure that it will never again suffer from balance of payments difficulty?

One promising general line for our commercial policy is thus to work with the United States, for the widest possible acceptance of international agreements on the lines of Bretton Woods and I.T.P.; and when these agreements are satisfactorily concluded to collaborate wholeheartedly in their operation. But there are some to whom this course is anathema. Our foreign trade problem is so great, they argue, that we must forswear no weapon in our armoury. We must reserve the *unconditional* right to restrict imports; to vary the value of the pound; to buy from countries only if they will buy from us; to exploit Empire sentiment to the full by maintaining and extending Imperial Preference; to use our bargaining power as a large importer; to subsidise our exports; and possibly to build up an economic bloc, centred on London, from which the United States would be excluded.

Much could be said for such a policy, if we were sure that other countries would not follow suit. But this is rather too much to expect. Any hope of a widespread reduction in trade barriers and of reversing the trend to bilateralism would vanish, and with it would vanish any hope of increasing world trade. The spread of bilateral balancing of payments would rule out a large field of expansion for British exports. The restriction of world trade as a whole would make necessary a much larger increase in the British share, if we were to achieve our export target; while at the same time this would be made more difficult by our inability to depreciate sterling without fear of unwarranted competitive depreciation and of offsetting tariffs and quotas against our exports.

### Empire Dependence on America

Those who advocate a course that would have these results must therefore have great faith in our bargaining strength. But if it is in fact smaller than that of the United States, this would hardly pull us through. A dollar bloc would undoubtedly be formed to counter the sterling block, and even the structure of Imperial Preference might crack under the strain. Many important countries of the Empire, including Canada, South Africa and Malaya, are more dependent on the United States than on Britain, and it would be unwise to rely on the Imperial sentiment of countries like India; these four countries alone account for nearly half our export trade to the Empire.

The bargaining power of this country as a large importer is often exaggerated. It is easy to quote a few outstanding examples, such as New Zealand and Denmark, of countries which are greatly dependent on our market. We, too, often forget the large part of our trade done with countries that are not so dependent. One-half of our pre-war trade was with countries which either depended on our market for one-fifth or less of their exports, or were even more dependent on some other market, usually that of the United States. Most of these countries could dispense with our market without great hardship if we tried to make them take our exports against their will; others would be driven into the rival dollar bloc. We might have more success with the remaining countries, which are more dependent on our market. But would it be wise, when we have to expand our exports by 75 per

cent., to rely on trade with a bloc that has hitherto taken only half our exports (and supplied only half our imports) and which includes such countries as India, the Argentine and the pre-war Baltic states, where our political influence is uncertain?

A sterling bloc is sometimes advocated as a method of isolating ourselves from the possible effects of an American slump. The trouble is that it would also isolate us from a large part of the world's markets. It is true that a severe American slump, and the consequent fall in her imports, might set in train a cumulative downswing in world trade; but the remedy lies, not in an anti-American bloc, but in the scarce currency principle (proposed by the Americans themselves and embodied in the Bretton Woods agreement), which would enable the rest of the world to discriminate against United States exports, and so to isolate the disease.

It is sometimes argued that if Germany—a smaller importer than ourselves—could make a success of bilateral bargaining, we could do even better. But is the example of a country whose quantitative share of world trade in manufactures fell by nearly a quarter between 1931 and 1937 one to be followed in our present position?

The demand for our exports in the past has been greatly influenced by the price at which they have been offered in the world market. There is no reason to doubt that this will continue to be so. Bilateral bargaining and other forms of pressure may be of temporary assistance, but in the long run they are much more likely to restrict our trade, especially when other countries follow suit.

The correct commercial policy for Britain is, of course, a matter of judgment. But if my analysis of this article is correct, it would be folly indeed to throw over the undoubted advantages offered by the current proposals for international agreements, just because we wished to reserve the right to use expedients which are more likely to be harmful than helpful.

This conclusion is not based on any theoretical arguments about the economic or political advantages of freer trade; it does not arise from any prejudice for international action for its own sake; nor have we even mentioned that this country is committed to a certain line of action by Article VII of the Mutual Aid Agreement and by the terms of the Financial Agreement with the United States. The sole criterion has been what is likely to be economically best for this country at the present juncture.

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### U.S.A.'s CHIEF IMPORT—TRAVEL

The chief "import" of the United States before the war was not a commodity. Actually it was the expenditures abroad of American travellers. When countries draw up the balance sheet of international balance of payments, the expenditures of American tourists in a country are set down in the same column as payments received from the sale of goods to the United States. Travel "imported" by United States residents from foreign countries during the 1920's and 1930's was nearly double United States imports of sugar during the same period, more than double United States imports of coffee and rubber, and almost three times the combined United States imports of tin and copper. During the 20-year period preceding 1940, more than 8,000,000,000 dollars was spent abroad by American travellers.—*U.S. Information Service.*

# Development or Welfare in the Colonies

*Condensed from The Economist*

IT is just over seven years since the development and welfare policy for the colonies was inaugurated. Finance from the United Kingdom can be counted upon at least until 1955, and to a total of £120 million during this period. Colonial Governments have been instructed to draw up ten-year plans to promote the advance of their territories: the table shows the expenditure contemplated in several colonies.

Colony	Development (£'000)	Welfare (£'000)
Cyprus .. .. .	2,880	2,790
Jamaica .. .. .	8,105	11,564
Nigeria .. .. .	15,561	26,903
Sierra Leone .. .. .	2,039	2,708
Kenya .. .. .	9,332	6,922
Tanganyika .. .. .	8,621	8,193
Zanzibar .. .. .	149	1,169
N. Rhodesia .. .. .	5,078	4,804
Fiji .. .. .	1,268	3,134

Big expenditure is planned for the health services and education. This is not surprising in view of the neglect of the social services in the past, but the reason for this neglect is very simple; the colonies' resources were too small. The purpose of linking development with welfare was to encourage the colonies to increase their wealth so that they could eventually support the social services out of their own resources.

The purpose of raising colonial standards of living cannot be fulfilled without a far greater investment of capital than is contemplated in the ten-year plans. The last few months have seen a start in the formation of public corporations, first foreshadowed by Mr. Stanley in 1945, to carry out development projects in the colonies. The first is the Cameroons Development Corporation. But this pioneer scheme has been completely overshadowed by the recently published "Plan for the Mechanised Production of Groundnuts in East and Central Africa". Here at last is the sort of economic planning that is needed. Welfare services will accompany the production scheme, but its importance lies in the economic development; in the revolution in agricultural technique primarily, but also in the indirect development that will follow the improved communications and water supplies and the eradication of the tsetse fly.

But two things should be emphasised. First, the capital that will be invested is £25½ million; the combined development and welfare plans for the whole of the three colonies concerned, Tanganyika, Kenya and Northern Rhodesia, contemplate a total expenditure of only £47 million. This comparison shows how totally inadequate are the colonies' resources. Secondly, the £25½ million will be forthcoming because of the world's, including Britain's, shortage of fats. The needs of the world come first; the needs of the colonies are only a secondary consideration. What has now to be decided is whether capital on the scale of the groundnut plan can ever be got into the colonies primarily for their own sake.

Writing of the new £100 Million Colonial Development Fund, the *Economist* summarises: There will be four channels through which capital will reach the Colonies; the development corporations of Barclays Bank and the Standard Bank; the public Corporations owned by the Colonial Governments; and now the new corporation with its capital of £100 Million. At long last, it seems, the third Colonial system which aims at raising the Colonies' standard of living—is well launched.

# The Free Market

*Digest Review by Sir GEOFFREY BRACKEN*

**I***N The Little Less* (Methuen & Co., 7s. 6d.), an essay on the 'Political Economy of Restrictionism', Mr. A. S. J. Baster begins with a description of what he calls "the lunatic years" between the two wars when we produced less, grew less, worked less, transported less and traded less. He then goes on to give an exposition of the politics of that restrictionism.

"Since most acts of State have economic repercussions, it has always been customary for the persons affected thereby to form groups and associations in order to try to influence the political process whenever it seemed to their advantage to do so". These "pressure groups" whether of Trade Unions or Employers' Associations, exercise their influence in various ways on the Government generally to the detriment of the consumer. Pressure is put on individual Ministers to favour particular interests. "If, under present day conditions, the Minister is a bad one or is unduly sensitive to the pressure of some economic interest, the loyal civil servant, who is at the same time a firm believer in Parliamentary democracy, as most of them are, is brought sharply up against the old dilemma—that a bad Minister may be obeyed to the letter by his subordinates, which is bad government, but good democracy; or he may be disobeyed in stealth by his subordinates, which may be good government, but is certainly bad democracy". The tendency is towards the formation of various kinds of corporations and so lies in the direction of the "Corporate State". "The conclusion is perhaps inescapable that on the political principles of the Corporate State, tired business men with no fundamental belief in their own position in society, and tired radicals who have lost their early vision of the equalitarian millennium, can safely and easily unite. The former hope, with considerable historical justification, that in practice they will be able to reach a compromise with the politicians favourable to their interest; the latter, with more logic on their side, hope that in practice it will be easy to squeeze out the business men by constitutional means and restore Paradise by stealth. It is only the discredited but unrepentant minority who think they see in this unnatural union between two opposing interests at the same time the most striking and most threatening phenomenon of modern democratic politics."

Speaking of the part scientists seek to play, he holds that their views about the way economic activity should be organised would, if put into practice, only lead to various disguised forms of restrictionism in the first place and various forms of political dictatorship ultimately.

His solution for the mistaken policy of the past is given in the chapter entitled "The Political Economy of Freedom". "If restrictionism and all its works is rejected, the uninviting alternatives appear to lie between the crude capitalism of the nineteenth century, when some enjoyed freedom of choice and used it to exploit others and destroy the system, and the Corporate State of the twentieth century, when economic freedom, and ultimately other freedoms, too, are sacrificed for a variety of ends to which individual choices are subordinate."

But there is a possible alternative, the recognition that the primary, if not the sole economic function of the State, is to maintain the free market. "The free market which is merely a simple practical device for giving effect to individual choice, is the very heart of the free economic system, and the widest possible extension of this device is the best guarantee of economic freedom".

He is under no illusion about the disadvantages of the free economy, the inequalities it produces and the abuses to which it gives rise. But after discussing

the pros. and cons, he arrives at the conclusion that it is preferable to the policy of "restrictionism" and "interventionalism". The goal of the reformer, he thinks, should be "the free market, the informed consumer, the venturesome enterpriser and, last but decidedly not least, the perfect income tax".

In the final chapter, "Present Prospects", Mr. Baster recognises the difficulties of applying the principles he advocates in present conditions. His conclusion is that "the fact that economic reconstruction after the war will have to be undertaken in conditions calling for Government intervention on an embarrassingly large scale merely enhances the essential wisdom and the ultimate attraction of a logically consistent régime of economic freedom".

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### NEXT YEAR'S BUDGET

The general attitude to all the new taxes is that they are just about bearable provided they are regarded as strictly temporary. If, however, they were to be regarded as having a first claim on any concessions possible in future, the outlook for the reduction of other taxation might not appear very rosy. It is almost certain that this year's nominal surplus, and more, will be swallowed up next year by the absence of non-recurring receipts and by a reduction in the yield of income tax and profits tax consequent on the fuel crises. The only possible source of relief is a substantial reduction in expenditure. This year's Budget total is still the huge figure of £3,181,000,000, compared with the £2,000,000,000 peace-time Budget which was being forecast a year or two ago. There are, indeed, several sources from which substantial reductions can reasonably be expected, so long as policy is directed steadfastly to that end. The biggest of these reducible items is the £425,000,000 provided in the current budget year for subsidies (largely on food). The Service estimates are calculated to contain £118,500,000 of non-recurring war-time expenditure. The Control Office for Germany and Austria is costing £86,000,000, and other terminal or temporary services, including transport, financial assistance to allies, Civil Defence, fire services, medical services, etc., probably amount to another £175,000,000. There is thus something like £800,000,000 of expenditure still continuing which can properly be called "war terminal or temporary". It may be that some reduction can be made in the regular cost of the Defence services, now about £800,000,000. But any reductions are likely to be fully counter-balanced by increases in the social service expenditure to which the Government is already committed. For the time being, therefore, the main hope lies in inroads into this £800,000,000 of special expenditure. As a guide to possibilities, a reduction of 1s. in the standard rate of income tax would cost about £120,000,000; to halve all the existing rates of purchase tax would cost £135,000,000; to remove the new imposts of the latest Budget would cost about £140,000,000.—From *The TIMES REVIEW of INDUSTRY* (May, 1947)

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# From Italy and Trieste

“ONE thing which the Italian people learned before the war was that intricate German technique of using double or triple exchange systems. One of the industries for which Italy has always been well known, and which is starting to thrive again is the industry of shipbuilding. At the present time the Italian shipbuilders, no doubt in order to be able to meet reparations, are, in fact, undercutting by something like 30 per cent. comparable British prices. Only the other day inquiries for quite a fleet of vessels came not only to this country, but also to Italy from South America. As a result of those inquiries from the Argentine and also of a similar case which arose recently in Turkey, the Italian price was something like 30 per cent. cheaper than the best Britain could do.

“That result was achieved by the technique of using double exchanges. While the Italian shipbuilder has to convert half the price for the ship he has delivered into dollars or pesos at the standard rate of exchange, he is allowed to use the black-market rate of exchange in respect of the other half of the contract price. The effect of that is that it makes the contract price extremely attractive, and it strikes once again at one of our industries and gives another twist of the tourniquet on the flow of our trade. . . . The Bretton Woods Agreement is expressly designed to stop this manipulation of exchanges. I hope, therefore, that His Majesty's Government will see that Italy becomes a signatory to the Bretton Woods Convention. . . .

(Colonel J. R. H. HUTCHISON, M.P., in the House of Commons, March 28, 1947.)

\* \* \*

How is Trieste to live? The industrialists, and nearly 50 per cent. of the Free Territory population is employed in industry, are pessimistic. At present their market is geared to Italy, and without a Customs union, precluded by the Big Four agreement, they cannot compete. The shipyards expect to keep their heads above water for two or three years while the post-war demand continues. After that they doubt whether they can stand the fierce competition from British, American and Italian shipyards.

The port, which was existing entirely on UNRRA transit traffic last year faces, a catastrophic drop when it ceases. Austria will use it—when Austria recovers; which is a question-mark. But Czechoslovakia exports more and more by Hamburg and the Danube, and if the Yugo-Slavs develop Fiume, as they are expected to do, in some years from now it will prove a formidable rival.

The Right hopes for a big investment of Western capital, but does not expect it, doubting whether the ordinary business-man will risk it. “With Yugo-Slavia all round us? Not likely!” said one of them crisply. The Left points out that the sellers' market is to the East, where their goods and services are wanted, but no co-operation seems probable.

Whatever happens, one thing is certain. Trieste is going to be a poor relation of the United Nations for years to come. An important Allied expert estimated that for the next two or three years there will be a 25 per cent. deficit in revenue, which someone must pay. And when post-war conditions end, real competition will begin.

The fact is simply that alone it cannot stand up to ordinary commercial competition. Either UNO insists on special conditions for Trieste goods in all international Customs, or America and England must carry the baby, or else . . . .

—*News Chronicle* (BERTHA GASTER)



# Partition of India

Condensed from *TRIBUNE*

**PARTITION** in India will divide the country rather in the manner in which Germany has been divided between the Eastern and Western zones. The Moslem-controlled areas will have a surplus of food ; fertile agricultural areas, with seemingly prosperous landlords and cultivators, who have profited heavily from five years of high grain prices. A large proportion of India's irrigation schemes will also fall within their frontiers.

On the other hand, the industrial and economic wealth and strength of India will be largely concentrated within Hindustan. This has already been reflected by the flight of capital and industrialists from the areas likely to come under Moslem rule. It is estimated that more than £200,000,000 has already (June, 1947) been withdrawn from the Punjab and sent to banks in Hindustan. The Punjab National Bank itself is proposing to move from Lahore to Delhi. Many big firms are doing the same with their headquarters and even their factories. Similar reports come from Karachi. One important Hindu industrialist is reported to have said that Pakistan will be left "an economic desert".

This is one reason why the Moslems have fought so strongly against the partition of Bengal, since without Calcutta and the western mineral areas, Moslem Bengal would consist merely of paddy and jute fields.

There is, however, another side. The Moslems believe that many Hindu industrialists and financiers will not cut themselves off entirely from Pakistan, but may yet switch to Pakistan if they consider that the present trend towards Socialism in Hindustan may offer them greater capitalist opportunities in the Moslem State. When, therefore, the time comes to take a final decision, these economic considerations may strongly influence the choice of Indian leaders.

Two of the foremost Indian authorities on the economy of the country have concluded from a full study of all the possibilities that Partition in India will enable the present low standard of living to be maintained, if Hindustan and Pakistan co-operate in preserving as much as possible of the basic economic unity of the country. But unless there is the closest co-operation between the two States, there can be no hope of raising the present low standard of life—or even of maintaining it.

The danger is very great, therefore, that Hindustan may develop towards planned socialised economy, while Pakistan becomes a rather backward *laissez-faire* country, and in the next stage of the discussions this aspect may well overshadow the communal problem.

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# Is The £ Undervalued?

Condensed From THE FINANCIAL TIMES

By PAUL EINZIG

The Executive Directors of the International Monetary Fund have accepted the exchange parities declared by thirty-three member Governments. They could be under no illusion, however, that many of these parities are considerably out of equilibrium, and that many currencies start the "new era" at a grossly overvalued or undervalued level.

There cannot be any doubt that at its present parity sterling is greatly undervalued in relation to the majority of the other currencies. The table published below shows the increase of wholesale prices, and the cost of living from the first half of 1939 to the latest figure available for each country.

Country	Wholesale prices	Cost of living
United Kingdom .. .. .	182	137
South Africa .. .. .	-163	+132
Egypt .. .. .	+325	+285
Canada .. .. .	-149	+120
United States .. .. .	+164	+145
Argentina .. .. .	+228	+137
Chile .. .. .	+264	+279
Costa Rica .. .. .	+194	+188
Mexico .. .. .	+247	+274
Peru .. .. .	+239	+206
Venezuela .. .. .	-146	+127
India .. .. .	+270	+258
Iraq .. .. .	+513	—
Iran .. .. .	+475	+638
Palestine .. .. .	+353	+153
Denmark .. .. .	+196	+156
Spain .. .. .	+234	+201
Eire .. .. .	+196	+166
Norway .. .. .	-174	+161
Netherlands .. .. .	+259	+181
Portugal .. .. .	+225	+208
Sweden .. .. .	+169	+144
Switzerland .. .. .	+201	+152
Australia .. .. .	-140	-111
New Zealand .. .. .	-153	-100

+ indicates rises in excess of that of the United Kingdom (allowing for the devaluation of sterling). — indicates rises inferior to that of the United Kingdom.

The success of this country in resisting the rising trend is no doubt gratifying. What is deplorable is that in fixing the new parities no allowance whatever has been made in the case of most countries for the different degrees to which prices have risen. Yet purchasing power parities cannot be ignored with impunity. British importers find it difficult to outbid foreign importers competing for the limited stocks of food and raw materials available. As a result of the undervaluation of sterling, the terms of trade are strongly unfavourable to this country. In plain English, since goods are cheaper in Britain than abroad, a larger quantity has to be exported to pay for the same quantity of imports. Since high prices have to be paid for imports, prices at home tend to rise.

Under the Bretton Woods agreement this country is entitled to raise the value of the pound to 4.43 dollars. An appreciation of sterling now by 10 per cent. would have another great advantage. It would enable this country to devalue sterling, if and when needs be, not by 10 per cent., but by 20 per cent. without the



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Fund's consent. When the present seller's market gives way to a buyer's market, the Treasury can resume its policy of defending the internal price level against a deflationary trend, with the aid of a devaluation of sterling, strictly within the rules laid down at Bretton Woods.

Belgium .. .. .	Franc .. .. .	43,827· 5
Canada .. .. .	Dollar .. .. .	1,000 0
Czechoslovakia .. .. .	Koruna .. .. .	50,000 0
Denmark .. .. .	Krone .. .. .	4,799 01
Egypt .. .. .	Pound .. .. .	0,241 955
France .. .. .	Franc .. .. .	119,107
India .. .. .	Rupee .. .. .	3,308
Netherlands .. .. .	Guilder .. .. .	2,652 85
Norway .. .. .	Krone .. .. .	4,962 78
South Africa .. .. .	Pound .. .. .	0,248 139
United Kingdom .. .. .	Pound .. .. .	0,248 139

### SPIRITUAL INCENTIVES

*By Sir STAFFORD CRIPPS, K.C., M.P., from an address in Parish Church Birmingham*

I believe most profoundly that what we are lacking to-day in our productive effort in this country is a Christian approach—a Christian background. Our industrial morale is low because a merely materialistic, self-centred outlook on our work cannot give us a high morale. The stimulation of a patriotic war, with its call for self-sacrifice in a wider and nobler cause has gone and nothing has as yet taken its place. Inducements of a material kind can never and will never replace the spiritual urge which can only come from our sense of devotion to a cause which transcends our own personal interests.

But we must be encouraged and protected in that sense of devotion by a feeling that we, too, are being treated justly and fairly. The feeling of injustice and unfairness arises just as much, indeed even more, from a sense that we are treated as of inferior status or as sub-human than from the lack of material benefits. It is through human relationships and not through monetary payments that the sense of friendship, justice and co-operation is created.

That was the very essence of Christ's approach to the problems of life and of His teaching, and it is because we, while continuing to call ourselves Christians, have, many of us, departed so far from the simplicity of His teachings that we find ourselves in such difficulties to-day.

I do not mean to say that we must not make every physical and mental effort ourselves, but that those efforts will fail in their purpose unless we approach our problems in a Christian spirit which equally acknowledges in all we do the reality of the Fatherhood of God and of the Brotherhood of Man.

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# Brazil Buys in Bargain Basement

Condensed from *TRIBUNE*

ONE way of increasing our dollar shortage and our overall financial difficulties is through certain Stock Exchange dealings with which the Government apparently has no power to interfere.

A case in point is the odd development that has lately been observed concerning Brazilian Government bonds. The demand for these securities, which has suddenly made itself felt in recent weeks, has sent their prices rocketing. Yet there is no evidence that British investors are anxious to have these bonds, and they have not, in fact, been buying them.

It is by now fairly clear that the buyer is none other than the Brazilian Government—operating through the New York Stock Exchange.

The Brazilian Government, which is not short of dollars, first purchases British shares in the United States. These shares, largely because of the weakness of sterling in international markets, are quoted in New York at anything up to a 25 per cent. discount—i.e., the Brazilian Government can get them for three-quarters of the price that they cost in London.

The next stage is to sell these British shares for £ sterling on the London Stock Exchange; and, finally, to buy Brazilian bonds from investors here. As a result of the operation, British currency has in effect been bought at black market rates—at \$3 to the £1 instead of \$4.

The Stock Exchange dealer himself has not suffered in the process, but the British Exchequer has lost a substantial amount of foreign exchange.

From the Brazilian point of view, this is just a means of buying back their own bonds as cheaply as possible.

The type of manipulation revealed here—perfectly legal and certainly less dramatic than the operations of a financial crook in Paris cashing cheques for an improvident baronet—is far more serious in its long-term effects on the British taxpayer, who will ultimately have to bear the whole of the cost. It would seem that, once currency speculation is carried out on a really big scale, it is easy enough to get away with it.—*Tribune*.

*Note*.—It was to the Brazilian Chamber of Commerce that Mr. Dalton announced on May 6 that Britain's war debts must be "very substantially scaled down".—*Ed., E.D.*

## THE PARADOX OF FULL EMPLOYMENT

The revolutionary consequences of the policy of full employment, as long as the policy of inflation continues, jump to the mind, especially when we consider that this policy is necessarily tied to a continued increase of the National Debt. Exponents and opponents both admit this connection, with this difference, that the exponents try to camouflage the true significance of this avalanche of national debt.

The fatal barrenness of these attempts can be shown by a study of the problem which appears with the prospect, caused by the pressure of inflation, of ending up with the continued increase in the National Debt. It results, in a growing degree, in the necessity for lightening inflationist pressure by an extension and a continued aggravation of collectivist control of wealth from the centre—until the pressure becomes so strong, that, in the last resort, there will be no choice except between open inflation and financial steps causing a serious and genuine "deflation crisis". It is thus that we arrive finally at a real and devastating deflation, at the end of a road embarked on, because we preferred concealed "deflation" to the rapid re-establishment of economic equilibrium by the adjustment of prices and costs.

Translated from *Economic Contemporaine*

# U.N.O.: Economic and Social Council

*Condensed from WEEKLY BULLETIN OF U.N.O.*

SINCE peaceful and friendly relations between nations require world stability and well-being, the Charter of the United Nations defines it as a duty of the organization to :

(a) promote higher standards of living, full employment, and conditions of economic and social progress and development ;

(b) achieve co-operation in solving international economic, social, health, and related problems ;

(c) promote international cultural and educational co-operation ; and

(d) encourage universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.

Under the authority of the General Assembly, the Economic and Social Council discharges these functions of the United Nations.

The Economic and Social Council is made up of eighteen Members of the United Nations, elected by the General Assembly. Six are elected each year, for three-year terms. (At the first General Assembly session, six Members were chosen for one-year, six for two-year, and six for three-year terms, to establish a rotating scheme.) Each Member nation names an individual as its representative to sit on the Council. Any of the Member nations may be re-elected for another term on the Council immediately upon expiration of a previous term.

The Council arrives at its decisions by a simple majority. Each Member has one vote. The Council meets at least three times a year, according to its present rules. It elects a president and two vice-presidents, chosen as individuals, at each year's first session, to serve throughout the year.

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The Council :

1. Makes or initiates studies and reports regarding international economic, social, cultural, educational, health, and similar matters.

2. Makes recommendations regarding the foregoing matters, or to promote respect for, and observance of, human rights and fundamental freedoms, to the General Assembly, Members of the United Nations, and the specialized agencies.

3. Prepares draft conventions regarding such matters for submission to the General Assembly.

For example, during the present session, the Council will consider recommendations of its Human Rights Commission on an International Bill of Human Rights.

4. Calls international conferences on matters falling within its competence.

For example, an International Conference on Trade and Employment will be convened during the following year, as one of the steps toward setting up the International Trade Organization.

5. Enters into agreements with the specialized agencies bringing them into relationship with the United Nations, subject to General Assembly approval. Co-ordinates their activities. Obtains reports from them.

Agencies now related with the United Nations by agreements which were approved by the General Assembly at its last session :

ILO : International Labour Organization

FAO : Food and Agriculture Organization of the United Nations

UNESCO : United Nations Educational, Scientific, and Cultural Organization

ICAO : International Civil Aviation Organization ; agreement with PICAQ, its provisional predecessor, subject to the provision that the agency complies with the decision that Franco Spain be debarred from membership

Agencies not yet brought into formal relationship :

"FUND" : International Monetary Fund

"BANK" : International Bank for Reconstruction and Development

ITU : International Telecommunications Union

UPU : Universal Postal Union

Agencies not yet fully organized :

WHO : World Health Organization

IRO : International Refugee Organization to provide a solution, by repatriation or re-settlement, of the problem of more than one million refugees still in occupied areas of Europe

ITO : International Trade Organization (projected)—To promote the expansion of the production, exchange and consumption of goods.

6. Furnishes information to, and otherwise assists, the Security and Trusteeship Councils, upon their request.

The Council will decide during its present session how such arrangements are to be carried out.

7. Carries out recommendations of the General Assembly on matters within its competence and, with the Assembly's approval, performs services for Member countries and for specialized agencies.

For example, the Assembly recommended to the Council that it study the question of providing effective ways and means of furnishing expert economic, social, and cultural advice to Member countries—particularly under-developed ones—which may desire it. This question will be discussed during the present session.



8. Consults with non-governmental organizations, in accordance with agreements granting certain of them a consultative status.

Those so far accorded such status under category "A", which gives them the highest consultative privileges :

World Federation of Trade Unions.  
American Federation of Labour.  
International Chamber of Commerce.  
International Co-operative Alliance.

Some forty more non-governmental organizations have been recommended to the fourth session of the Council for consultative status—three in category "A", the rest in categories "B" and "C", which carry more limited privileges.

9. Sets up permanent or temporary commissions, sub-commissions, and committees in the economic and social fields and for the promotion of human rights. Also establishes other subsidiary organs as required.

COMMITTEE ON NEGOTIATIONS WITH SPECIALIZED AGENCIES. Eleven members : Canada, China, Cuba, Czechoslovakia, France, Lebanon, Netherlands, Norway, U.S.S.R., United Kingdom, United States. Previously met in London in March, 1946 ; at Lake Success in September. To meet during the present session.

COMMITTEE ON ARRANGEMENTS FOR CONSULTATION WITH NON-GOVERNMENTAL ORGANIZATIONS. Six members : President of the Council, and representatives of China, France, the U.S.S.R., United Kingdom, and United States. Met three times last year, and on February 25 prior to the present session.

In addition, *ad hoc* committees may be set up to deal with special matters.

Commissions and Sub-Commissions are smaller expert bodies for advice and planning on particular problems of a social, economic, or similar nature. Their members may be chosen from among all the United Nations Members, whether or not they are on the Council. The representative named to sit on the Commission or Sub-Commission is frequently an authority in the special field concerned.

#### 1. ECONOMIC AND EMPLOYMENT COMMISSION.

Sub-Commission on Employment and Economic Stability.

Sub-Commission on Economic Development.

Temporary Sub-Commission on Economic Reconstruction of Devastated Areas (divided into working groups on Europe and on the Far East ; reports directly to Council).

#### 2. TRANSPORT AND COMMUNICATIONS COMMISSION. Established at London.

#### 3. STATISTICAL COMMISSION. Sub-Commission on Statistical Sampling.

#### 4. HUMAN RIGHTS COMMISSION.

Sub-Commission on the Prevention of Discrimination and Protection of Minorities. Established at same time. Representatives on these two sub-commissions will be selected as individuals rather than by nations.

#### 5. SOCIAL COMMISSION.

#### 6. COMMISSION ON THE STATUS OF WOMEN.

#### 7. FISCAL COMMISSION.

#### 8. POPULATION COMMISSION.

#### 9. COMMISSION ON NARCOTIC DRUGS.

# Points from "Letters to the Editor"

Extracts from correspondence in *THE TIMES* and *SPECTATOR*

## Bulk Buying

What is the justification of supplanting the free market by a system of State trading? That rising and fluctuating prices will be avoided? That there will be a fair share for all? That British manufacturers will be favourably placed in point of price and quality for the export trade? Finally, that the State is making the profit instead of the merchants?

The facts are that world prices have risen and must always rise when demand exceeds supply; that supply will not overtake demand until high prices have both stimulated production and deterred consumer buying. . . . In the meantime production generally is not reacting to high prices for the very good reason that there is no open market in which producers can insure their crops by future sales, while manufacturers are unable to quote firm prices for future delivery because they cannot cover themselves by contracting ahead for their raw materials. . . . Bulk buying creates bulk selling which, on a sellers' market cannot be good for manufacturers in the buying country.—A. CHAINE-NICKSON, Chairman British Federation of Commodity and Allied Trade Associations, London.—(*The Times*).

## Planning in Peace and War

In war cost is secondary, indeed in effect it is of no importance whatever. In peace cost is of fundamental importance, because payment has to be made and earned by the purchaser of the finished product. Under the rigidity of centralized planning and the waste of time resulting therefrom competitive reduction in costs is destroyed. The result is that in the end the finished product is likely to be beyond the purse of the purchaser even though the purchaser may be, to an extent, the department of a peace-time Government.—HYDE C. BURTON (*The Times*).

## Jungle English

Jungle English is by no means a monopoly of the English. It is also international. I take the following, at random and as a specimen of the whole, from the draft Charter of the International Trade and Employment Organisation, now being debated at the European Headquarters of the United Nations at Geneva:

"A system of the stabilisation of the domestic price or of returns to domestic producers of a primary product, which results over a period in the sale of the product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market may be determined not to involve a subsidy on exportation under the terms of paragraph 2 of this Article if it has also resulted over a period in the sale of the product for export at a price higher than the comparable price charged for the like product to domestic buyers, and if the system is so operated, either because of the effective limitation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other members."

I think I know what I think it means, but I am still not sure that it is what the drafter thinks it means.—H. G. DANIELS, Berne (*Spectator*).



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