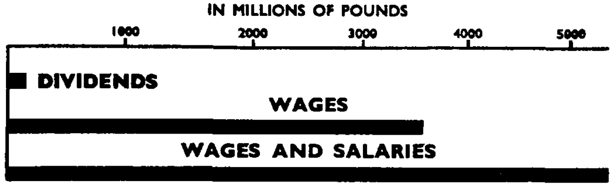
LLOYDS BANK LIMITED

FACTS ABOUT DIVIDENDS AND WAGES

Lord Balfour of Burleigh's Statement

INCREASES BETWEEN 1938 AND 1952
IN MILLIONS OF POUNDS



The Annual General Meeting of Lloyds Bank Limited was held on the 12th February, 1954 at the Head Office, 71 Lombard Street, London, E.C.

The Right Hon. Lord Balfour of Burleigh, D.C.L., D.L., the Chairman, presided.

With the concurrence of the members present the Report and Accounts and the Statement by the Chairman, all of which had been previously circulated, were taken as read.

In moving the adoption of the Report and Accounts the Chairman said:

'As I notice a tendency in some quarters to make the small increase in dividends recommended by some bank boards, including our own, an excuse for still further pressing wage claims, I want as an addendum to my statement already in your hands to try to bring into proper perspective the relative importance of wages and dividends in relation to inflationary pressure.

The additional dividends declared for 1953 by the clearing and other banks were considerably less than £1 million gross: to be precise £853,000. In the calendar year 1953 wage increases amounted to £125 millions. And remember that the present series of increases in bank dividends are the first changes since the drastic reductions of more than twenty years ago, whereas the £125 millions of wage increases are simply the continuance of a process that has been going on since 1939.

Our present dividend of 14 per cent nominal actually represents a smaller money payment to a holder liable to tax at the standard rate than the 12 per cent dividend paid in 1938. In 1938 a holder of 100 'A' shares received £12 less tax at 5s. 6d., i.e., £8 14s. Today he receives £14 less tax at 9s., i.e., £7 14s. So he is down £1 even in money terms, and the real purchasing power of his present dividend is only two-fifths that of the 1938 dividend. The yield on an investment in our shares, with the 14 per cent dividend, at a price of 60s. is $4\frac{2}{3}$ per cent, or in actual cash after deduction of tax at 9s. just over $2\frac{1}{2}$ per cent.

Wage Inflation

May I now put the relationship of wages and dividends in a wider setting? What we are concerned with is the weight of money as spending power is causing inflation, and the facts can surely leave no doubt that any contribution of higher dividends is quite negligible compared with that of wages and salaries.

The amount of money received as wages in 1952 was £5,460 millions, and in wages and salaries taken together £8,215 millions, compared with £472 millions in ordinary dividends. This means that in 1952 dividends on all ordinary shares were something less than 50 per cent higher than in 1938; on the

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ECONOMIC DIGEST

APRIL, 1954 VOLUME VII NUMBER FOUR

Testing Time For Prophets

BY PROFESSOR PAUL A. SAMUELSON
(MASSACHUSETTS INSTITUTE OF TECHNOLOGY)

The American 'recession' has caused American economists to be called in to diagnose and to prophesy, and of course to prescribe. Processes which some economists (but by no means all) had faced with cheery optimism when propounding theoretical treatises, have proved highly embarrassing under practical conditions. Professor Samuelson—who never stood among the cheery optimists—surveys the situation and concludes: 'We must await the coming months to learn how the American recession will develop. . . . But you can't believe everything you read in a textbook.'

IT CAN now be stated that the United States is in a 'recession'. Not a 'rolling adjustment', not a 'relaxation', not as yet a 'depression', but definitely a recession.

This is one of the best-advertised recessions on record, with the Press reporting the day-by-day seismograph readings in full detail. Nevertheless, up to the middle of February, the public generally has not become very excited about the course of events.

A brief diagnosis of what seems to have been happening may be helpful in weighing the possible interpretations of the paradox.

Business reached its peak here in mid-1953. Since July the new official Federal Reserve Board index of physical production has fallen about 1 per cent per month; using 1947-49 as base of 100, seasonally corrected production fell from 137 in July to 125 in January. Gross National Product reached its peak in the second quarter of 1953 and has since fallen off slightly.

As we watched the monthly figures come out, we were at first mystified to learn that unemployment kept *dropping* even though production had gone past its peak. Could we believe our eyes, which told us that in October, three to five months after the sensitive indicators began to go down, unemployment sank to 2 per cent of the labour force, its lowest post-war level and fantastically below what any American economic historian expects to encounter?

President's Prestige—and Luck

Apparently the whole drop in production had to be explained by (1) the steady contraction in the length of the working week which had been going on throughout the whole of 1953, from an average of 41 hours at the beginning of the year to 40 at the end, and by (2) the proverbial Eisenhower 'luck' which resulted in more than a million persons committing suicide as members of the labour force as the Korean truce encouraged wives and sweethearts to go back voluntarily into the home and school.

By November and December, the law of averages came back into play and unemployment started its pre-

From Financial Times, London, February 25, 1954 does not tell us how the same investor will react to a more Spartan regime.

(c) Undue importance should not be attached to the fact that consumption expenditure has so far been holding up well. Actually, consumption has for three years remained in a highly predictable relation to disposable income, and the recent strength in consumption merely reflects the fact that consumers have continued to save about 7 or 8 per cent of their incomes, spending the rest. If their incomes fall in the months ahead, we can expect consumers to cut into their savings in the attempt to maintain living standards, but we have no reason to expect Eisenhower luck to break out on this front and cause consumption to grow enough to turn the recession tide.

(d) Most important of all is the question of construction and producers' durable equipment investment in the next two years. Up to the middle of February, the reports of activities and intentions of investors remain favourable. Many industries have completed their post-war expansion, but now tell us they are turning to modernisation—for example, automatic equipment, new plant lay-out, etc. So far the recession does not seem to have cut down on their motivation and financial ability to continue this high investment.

The Unanswerable Question

But I wish I knew the answer to this question: How much of this investment has been subtly *dependent on the rapid rate of growth of the post-war American economy;* if 1954 is the second best year on record, will the 1955 questionnaires of investment decisions elicit the same rosy answers?

We must await the coming months to learn how the American recession will develop. Despite my misgivings, the factual record thus far is completely consistent with the notion that this is a classic text-book inventory recession. But, as every schoolboy knows, you can't believe everything you read in a textbook.

POSTSCRIPT ON GERMAN COMPETITION

(*See* ECONOMIC DIGEST, *March* 1954, *page* 97)

The call at Southampton recently of the m.v. Schwabenstein reopened the pre-war North German Lloyd service to the Far East. It was an event of greater significance than the people of this country have paused—if paused at all—to realise. Some significant facts are these:

(1) From laying her keel to laying her final carpet, her completion time was considerably less than eight months. Deduction—the Germans can work.

(2) The ship is manned by a purser (no assistant), a chief steward (no assistant), and ten stewards who do all the cleaning of the passenger quarters (capacity 86) and service the passengers in their cabins, public rooms, and dining saloon. Deduction—the Germans will work.

(3) Five more similar ships are following closely in the wake of this one. Deduction—the Germans are working.

It is time that our people realised what is going on on the other side of the North Sea; this ship provides a remarkable demonstration of that, and it would have been timely if more attention had been focussed on her visit to Southampton so as to alert the people of Britain to the fact that most serious competition confronts them—competition that can only be surmounted by all of us doing an honest day's work for a decent day's pay.

C. M. Squarely, Letter to The Times, London, February 13, 1954

Rising Cost of Management

BY SEYMOUR MELMAN (COLOMBIA UNIVERSITY, NEW YORK)

Administrative overhead and productivity of labour in the manufacturing industries of the United States, United Kingdom, and Soviet Union, 1947-8

	Number of administrative personnel per 100 production personnel	Average product per production worker man-hour (international units).
United States	22.2 (1947)	1.43 (1947)
United Kingdom	20.0 (1948)	.40 (1948)
Soviet Union	20.25 (1947)	.26 (1948)

The international unit (developed by Colin Clark in his 'Conditions of Economic Progress') is taken as the quantity of commodities exchangeable for $1.00 in the United States over the average of the period 1925-1934.

THE costs of managing industrial firms have traditionally been regarded as an incidental class of expenditure. The fact is, however, that these costs have been rising.

By 1948, for every hundred production workers in British industrial firms there were twenty administrative employees. It is clear that administrative costs have become a major expense in the operation of industrial firms. What is the history of this development? How does it impinge on industrial productivity? Can the trend be reversed?

Over the last half-century the relative number of man-hours devoted to managing has risen sharply in the manufacturing firms of both England and the United States. In the United States the A/P ratio (administrative employees per hundred production workers) grew from 9.9 in 1899 to 22.2 by 1947. In Great Britain the increase was from 8.6 in 1907 to 20 by 1948. The development in British industry is especially striking since the number of production workers was relatively stable from 1907 to 1935.

The levels of administrative overhead and of productivity in certain years can be compared for major industrial countries. Such statistics are shown in the table comparing the data for the United States, the United Kingdom, and the Soviet Union. Productivity is estimated in terms of the international units developed by Colin Clark. The result is unmistakable. The level of administrative overhead was similar in these countries, but the productivity levels differed by wide margins—much larger than could be accounted for by errors of measurement.

What has been the relation of the rise of the A/P ratio to the growth of industrial productivity? A study of A/P in the manufacturing industries of the United States (Oxford Economic Papers, January, 1951) showed that there was no correlation between increases in administrative overhead and the growth of productivity. These findings show that there has been no necessary connection between the levels of A/P and productivity.

From Manchester Guardian Review of Trade and Industry, March 1954

Relation to Productivity

Another view of the relation between administrative overhead and productivity may be shown as follows. In the United States output per worker man-hour rose by 232 per cent from 1899 to 1947 while the administrative overhead ratio increased by 124 per cent. The rise of productivity was much more rapid than that of the A/P ratio. The reverse was true in the manufacturing industries of the United Kingdom. There, output per worker man-hour increased by some 73 per cent from 1907 to 1948 while the ratio of administrative overhead grew by 133 per cent.

Especially for the United Kingdom, these trends mean that the growth of worker productivity overstates the additions to the goods produced per person employed in manufacturing firms. For the total number of employees includes the growing proportion of administrative employees as well as production workers. As the A/P ratio grows, indices of worker productivity become less useful as indicators of changes in output per person employed in industry.

It has been widely assumed that the growth in the cost of managing corresponds with the growth of industrial productivity, that more managerial controls necessarily yield more economy in production. The data disclose no relationship of this kind. Actually, the rapid growth of administrative overhead has been concentrated in the mainly administrative functions.

The number of technicians in industry (assuming that they are all counted in the administration group by the census of production) accounts for a minor part of the A/P ratio. The effect of rising administrative overhead as a tax on aggregate productivity makes it all the more important to define the driving forces behind this trend.

Characteristics of Change

How can we account for this trend in the management of firms? The rise in administrative overhead is not explained on the assumption that more people are being used to carry out the same work. Mechanisation and systematisation of office operations have in fact accompanied the A/P growth. The evidence leads in another direction. The best information available today leads to the conclusion that the A/P trend results from the addition of new managerial functions. Industrial management has chosen solutions to its problems which also involve the extension of formal managerial controls over ever-widening areas. Management has extended its controls over the production worker force, over its own administrative staff, and over the buyers of its products.

The extension of managerial controls is the common feature of the growth of the new functions in industrial management, including sales, accounting, cost accounting, personnel, industrial relations, as well as the addition of staff specialists trained in economics, psychology, and the like.

This development also reflects, in part, the tendency of management personnel to equate 'scientific management' with more elaborate track-keeping and reporting systems. Indeed, the growth of administrative staffs has proceeded so rapidly in many firms that extraordinary measures were called for to control the expanded managerial staffs. For this purpose several firms have established organisation departments which regulate the management organisation itself.

'Sometimes called Bureaucracy'

The growth of A/P ratios also depends on whether alternative methods exist for accomplishing a given administrative result. In general, managements have used methods which not only handle the particular problem, but also have the effect of enlarging administrative staffs. This preference is traceable to the custom by which the number of persons responsible to a given administrator is a critical test of his standing in the organisation. It should not be inferred, however, that this kind of consideration (sometimes called 'bureaucracy') alone can explain the growth of administrative overhead. For such preferences can be given expression only when they coincide with strong pressures for solving real problems. Primarily then, the rise of the A/P ratio has been determined by management's preference for solving its problems by methods that also extend the scope and intensity of managerial controls.

The growth of A/P represents more than the trend of a business cost. It is also a social cost, owing to its bearing on the effective productivity of industrial man-hours. Indeed, one of the critical features of this development is that administrative overhead outlays may seem entirely reasonable within the framework of business costs, and at the same time have a damaging social cost effect by widening the gap between actual and potential output per person in industry.

The growth of administrative overhead will be stopped or reversed only when this development becomes the source of pressing problems to one or more of the important groups closely concerned with industrial production: management, labour, or Government. Only then will there be a search for alternative ways of industrial decision-making which would simplify and reduce the costs of managing.

Social Significance

From the standpoint of management the growth of administrative charges means the enlargement of a major class of relatively fixed costs which limit the flexibility of management's operations. For production workers the growth of administrative overhead means that a smaller proportion of the total income of the firm is available for meeting workers' wages. Indeed, some unions have explicitly recognised this in the form of wage-claims supported by the argument that administrative costs are a part of the employer's income on which workers may levy a claim.

From the standpoint of Government, the growing number of man-hours used up in management is important for its effect as a tax on the productivity of the total industrial labour force. In these terms it becomes necessary to recognise that the growth of administrative overhead has a limiting effect on the gains which result from the increased productivity of the production workers. Average output per person may rise as a result of increased productivity at the point of production, or through having a larger part of the working population doing productive work.

Britain *v.* Germany in Export Enterprise

THERE are two outstanding facts about the export situation that emerged during 1953. One is that the trend for the U.K. was upwards throughout 1953, with a sharp turn-up in the fourth quarter when the volume was 6 per cent above the 1950 average and about as high as in the first quarter of 1952. The second was an intensifying of competition, with a suggestion in some markets and in some industries that the U.K. was not altogether getting the best of it. If this latter trend were to develop seriously during 1954—as it might—there could be no certainty that the improvement during 1953 could be held, let alone bettered as the circumstances require that it should be. This article examines more closely, therefore, the markets and commodities in which the 1953 improvement occurred, with particular reference to the performance of German exporters in the same fields.

Breakdown by Countries

Separate volume figures are not calculated for individual countries; but as average export prices fell only 1 per cent between the first and second halves of the year, the value of exports rose only slightly less than the volume. The total increase in value between the half-years was £71 million, divided between different areas as follows:

	£ million
Dollar area	2
O.E.E.C. area	3
Other non-sterling countries ...	14
Australia, New Zealand, S. Africa and India	40
Other sterling countries ...	12
	71

The £2 million dollar area increase was not in exports to the United States or to Canada; to both these countries exports were lower in the second half than in the first. It was more than accounted for by the increase recorded in the value of exports of ships to Liberia, which became a part of the dollar area in October, 1952. But although our exports to the U.S.A. and Canada were lower in the second half-year, this was because their total imports contracted, not because our share fell: in July-October we provided 11 per cent of U.S. and Canadian imports (excluding their imports from each other), compared with 10 per cent in the first half-year.

Exports to O.E.E.C. countries showed little increase between the two half-years. This is a market we must develop; for, although our own visible trade with O.E.E.C. countries has improved, the position of the sterling area as a whole has been worsening. In the first half of 1953 the sterling area had a surplus of £51 million with the European Payments Union; in the second half it had a deficit of £21 million. We now owe the Union nearly £200 million.

Exports to other non-sterling countries account for a fifth of the increase. To this group exports had fallen very low indeed, mainly because of import restrictions, but in the second half of last year they recovered to a level 8 per cent below that of the second half of 1952. It was mainly to the Soviet Union, Yugoslavia, Uruguay and Argentina that exports rose.

But three-quarters of the increase

From Bulletin For Industry, H.M. Treasury, London, February 1954

—£52 million out of £71 million—was in sterling exports; and most of this £52 million was to Australia and New Zealand. The import restrictions which these countries imposed last year are gradually being eased; we are their largest suppliers and stand to benefit most.

The £71 million increase in our exports between the two half-years cannot be compared exactly with German figures; but at a half-yearly rate the German July-October result showed an increase of £84 million over the first half-year, divided as follows:

	£ million
Dollar area	8
Non-sterling O.E.E.C. countries	49
Sterling area	10
Rest of world	17
	84

This is a much bigger percentage increase than ours, since German exports are only about two-thirds as large as ours. Over half the German increase was in exports to O.E.E.C. countries. Their increase in dollar exports and in exports to the rest of the world was larger than ours; to the sterling area it was smaller.

Breakdown by Commodities

The following table distributes the U.K. £71 million increase over some of the main export groups:

	£ million
Food, drink and tobacco ...	+10
Raw materials	— 1
Metals	+ 2
Aircraft and parts	+ 2
Other engineering products ...	nil
Textiles and clothing	+20
Arms and ammunition... ...	+ 8
Refined petroleum	+ 5
Other manufactures	+16
Parcel post	+ 9
	+71

A good deal of the recovery was in textiles and other consumer goods (since 'other manufactures' are mainly consumer goods). The value of cotton goods exported increased 8 per cent between the two half-years and the value of wool goods 11 per cent. Refined petroleum, arms and ammunition, and aircraft and parts accounted for another fifth of the increase; in these we have hardly any German competition to meet. Exports of engineering products apart from aircraft were much the same in the two half-years.

The German increase of £84 million was made up as follows:

	£ million
Food, fodder, drink and tobacco	+ 2
Raw materials	+ 5
Metals	+11
Textiles	+ 4
Engineering products	+26
Other manufactures	+36
	+84

The increase in textiles, which are a smaller proportion of German exports, was much smaller than for the U.K. Their increase in the export of metals was much larger than ours, and nearly a third of the total increase was in engineering products. A good deal of the German gains in machinery and electrical apparatus in the last two years have been at the expense not of the U.K. but of other Continental European countries, for instance France, Belgium, Italy and Sweden; but in some areas, such as the Middle East, this country appears to have been losing ground to the Germans during the year.

In Short

Behind the 7 per cent volume increase between the two half-years, therefore, the following trends may be discerned:

(i) In the dollar markets U.K. exporters held their share of what was, towards the end of the year, a declining total.

(ii) A very small increase in shipments to O.E.E.C. countries compared with a big growth in business by the Germans in the same market.

(iii) In other non-sterling markets a partial recovery has been made from the very low level to which our exports had fallen.

(iv) In the sterling area the U.K. is the biggest supplier and has benefited most by the easing of import restrictions.

(v) A large part of the total increase came from aircraft, petroleum products, arms and ammunition, in which we have hardly any German competition to meet.

(vi) Textile exports improved during the year, with stronger world demand and some easing of overseas restrictions; but engineering exports have stayed steady, alongside German increases.

PROFITS, RESERVES, AND WAGES

We feel that, in general, profits retained benefit the industry and the shareholder; they benefit the country too, provided they are not obtained as a result of unreasonably inflated prices of goods sold, which tend to increase the cost of living. They also benefit the worker, in that they maintain and improve the business in which he works.

It is for consideration in every business how far the excess expenditure on replacement of its assets due to increasing costs and even the extension and modernisation of those assets, may properly be found out of profits and therefore out of prices paid by the customer, and how far the expenditure for such development should be found out of new capital. There is no doubt a point beyond which such development should not, in the interests of the country as a whole, be found out of profits and therefore out of increased prices.

Assuming that the industry continues to retain profits to the same extent for the purposes of research and development, expansion, re-equipment, etc., then it would be unlikely that the claim could be met without an increase in selling prices. We cannot express any general opinion as to what the extent of retained profits ought to be. It is no doubt possible that some companies could pay some increased wage or bonus without raising prices; but that is not to say that the industry as a whole could do so. The position must, of course, vary materially as between individual concerns.

We have considered the suggestion that the reserves shown in companies' returns should be drawn upon to meet some increases of wages. While the nature of the reserves in different companies must vary, we do not think that, in the main, the form of the reserves is such that they could be drawn upon for this purpose. We think that it would be right to say that in general the bulk of the 'reserves' are represented by resources that have been and are being used in the industry in re-equipping and replacing plant, machinery and buildings and keeping them up to date and generally maintaining the efficiency of the business.

We would, however, add that during this Inquiry it has been borne in upon us that some of the issues that have been raised are essentially part of much wider problems affecting the national economy. We realise that in other important industries wage increases have recently been made. We do not feel able to assess or quantify the dangers to the national economy which might arise from action which provoked a general and substantial increase in production costs—e.g., whether even a slight upward thrust in the inflationary spiral would be disastrous or whether any increase in export prices would, under present circumstances, really undermine the country's capacity to pay for the imports we need.

We feel, therefore, that it might be a most valuable contribution to a solution of the wider problems to which we have referred if an authoritative and impartial body were appointed to consider them and the complex and sometimes conflicting economic arguments which surround them, to form a view upon their implication for the national economy and our ability to maintain our present standards, and to give advice and guidance as to broad policy and possible action.

From Report of Court of Inquiry, appointed by Minister of Labour to make recommendations on claim for increased wages in Shipbuilding Industry, H.M.S.O. (CMD 9085), London, February 26, 1954

The Price Mechanism

CONDITIONS UNDER WHICH IT CAN—AND CANNOT—WORK

BY PROFESSOR WILHELM ROEPKE (GENEVA)

The success of the market economy wherever it has been restored in our time—most conspicuously in Germany—has produced a tendency to treat the market economy as a technical device which can be built into a society in all other respects socialist.

That idea has already made its appearance in the shape of the 'market socialism' of Oscar Lange and others like him. The market economy then appears as part of a comprehensive social and political system which, in its basic conception, is a huge and highly centralised machine.

Taken in that sense, a market economy has always had a place in the Soviet system, but we all realise that there it is a mere gadget—a technical device, but not a living thing. Why? Because the market economy as a field of liberty, spontaneity and free co-ordination cannot thrive in a social system which is the very opposite.

That leads to my first and main proposition: the market economy rests on two main pillars, not on one only. It presupposes not only the freedom of prices and competition, but also and no less the institution of private *property*. This property must be genuine, that is to say, it must comprise all the rights of free disposal without which—as formerly in National Socialist Germany and today in Norway—it becomes an empty legal shell. One of these rights is the right to bequeath the property by will.

Fully to understand the function of property in a free society, we must realise that it has two real functions. Property not only means that the individual sphere of decision and responsibility is defined as against other individuals, but also that it protects the individual sphere against the government and its ever-present tendency towards omnipotence. The boundary runs not only horizontally but vertically, and it is only in virtue of both these functions that property can be regarded as the indispensable condition of liberty.

There is a definite 'leftist' ideology inspired by excessive social rationalism, as opposed to a 'rightist', conservative one; the latter has reference to certain things which, though we cannot touch, weigh or measure them, are of sovereign importance.

Real Role of Property

The real role of property cannot be understood unless we see it as one of the most important examples of these things. It points the fact that the market economy is a form of economic order which is correlated to a concept of life and a socio-moral pattern; this pattern, for want of an appropriate English or French term, we may call '*bürgerlich*' in the wide sense of this German word which is largely free of the disparaging associations of the word '*bourgeois*' (the meaning is that borne by the word when you read at the entrance of the socialist trade unions at Berne that it recommends its '*bürgerliche Küche*').

This *bürgerlich* foundation of the

From The Owl, London, January 1954

market economy must be frankly acknowledged. The fact must be all the more emphasised because a century of Marxist propaganda and intellectualist romanticism has been astonishingly and alarmingly successful in spreading a parody of this concept, and of this parody it is extremely difficult to rid oneself.

In fact, the market economy can thrive only as part of and surrounded by a *bürgerliche* social order. Its place is in a society where certain elementary things are not only respected but colour the whole life of the community: individual responsibility, respect for certain indisputable norms, the individual's striving, in all honesty and seriousness, for advancement and for developing his faculties, independence anchored in property, responsible planning of one's own life and that of one's family, thrift, enterprise, the assumption of well calculated risks, the sense of workmanship, the right contacts with nature and the community, the sense of continuity and tradition, the courage to brave the uncertainties of life on one's own account, the sense of the natural order of things.

Scale of Values

Those who find all this contemptible and reeking of narrow-mindedness and 'reaction' must be asked in all seriousness to disclose their own scale of values and to tell us what is the kind of values they want which will defend us against communism without borrowing ideas from it.

Now or never we must see clearly that here is the real watershed between between different social philosophies. Here is the ultimate parting of the ways, and there is no getting round the fact that the concepts and patterns of life which clash in this field are decisive for the fate of society; also that they are irreconcilable.

But once we admit this we must be prepared to see its significance in every field and to draw the corresponding conclusions. The lengths to which we have gone already in thinking of an essentially *unbürgerliche* world are indeed remarkable. That is a fact which the economists too should take to heart, for they are among the worst sinners.

How often we discuss, enchanted by the elegance of a certain type of analysis, the problems of aggregate savings and investments, the hydraulics of income flows, the attractions of vast schemes of economic stabilisation and social security, the beauties of advertising or hire purchase, the advantage of 'functional' public finance, the progress of giant enterprise and so forth, without realising that, in doing so, we take for granted a society which is already largely deprived of those *bürgerliche* conditions and habits which I described!

It is shocking to think how far already we are thinking in terms of a proletarianised, mechanised, centralised mass society. It has become almost impossible for us to reason in terms other than those of income and expenditure, input and output; we have forgotten how to think in terms of property.

The New Economics

That is, by the way, the deepest reason for my own fundamental and insurmountable distrust of Keynesian and post-Keynesian economics, even if, on the level of technical economic analysis, I feel compelled to make some concessions.

Let us turn our minds to another most important field: *money*, and let us recognise that respect for money as something not to be tampered with is, like property, an essential part not only of the social order but of the mentality which are the presuppositions of the market economy.

To illustrate, I want to tell two stories from the financial history of France. At the end of 1870, Gambetta, the leader of the French resistance after the defeat of the Second Empire, left the beseiged capital in a balloon for Tours to create the new republican army. In his desperate need for money, he remembered that his admired predecessors of the Revolution had financed their wars by printing assignats. He asked the representatives of the Banque de France to print for him some hundreds of millions of notes, but he met with a flat and indignant refusal. At that time, such a demand was considered so monstrous that Gambetta did not insist. The Jacobin fire-brand and all-powerful dictator submits himself to the determined 'no' of the representatives of the Central Bank who will not accept even a supreme national emergency as an excuse for the crime of inflation. Finally, the necessary money was raised by a loan from the Morgan Bank of 200 millions of francs at 7 per cent.

And now the other story. A few months later came the socialist revolt in Paris known as the Commune. The gold reserves and the plates of the notes of the Banque de France were at the mercy of the revolutionaries, but they bravely resisted the temptation to lay their hands on them, though they were badly in need of money and had few political scruples. In the very midst of the flames of civil war, the Central Bank and its money were sacrosanct to them.

What has become of this respect for money in our time, not least in France?

NEW U.K. CAPITAL ISSUES IN 1953

Analysis by industrial and other groups (£000 omitted)

	1950	1951	1952	1953
Government	33,140	33,325	33,377	40,952
Local authorities	—	1,238	—	19,420
Public boards	149,480	80,350	205,800	226,073
Total	182,620	114,913	239,177	286,445
Companies:				
Gas and water	1,696	5,903	2,724	4,226
Electric light and power	3,990	1,083	1,955	—
Telegraph and Telephone	1,396	—	8,572	—
Road and rail transport	150	1,274	—	474
Shipping, canals and docks	737	6,351	1,126	995
Banking, insurance, investment and finance	5,766	8,014	7,583	13,120
Property	1,389	2,379	127	897
Coal, iron, steel and engineering* ...	12,424	10,408	7,607	31,155
Mining	7,435	4,017	9,271	4,557
Oil	5,104	—	—	19,700
Tea, coffee, rubber	462	43	400	339
Breweries and distilleries	5,588	6,290	12,301	1,539
Miscellaneous commercial and industrial	84,176	91,314	79,641	32,583
Total of all issues	312,932	251,990	370,485	396,031

*Including motors and aircraft

From Midland Bank Review, London, February 1954

Two Secondary Countries Assessed by O.E.E.C.

(1) GREECE

THE Greek Government is at present confronted with two problems: the short-term problem is to consolidate the stabilisation of the economy achieved after the re-adjustment of prices and costs necessitated by devaluation; the long-term problem is to ensure that, without having recourse to extraordinary external aid, sufficient new investment will be forthcoming to provide the growing population with employment and a suitable standard of living.

There is no doubt that devaluation (April 9, 1953) had become necessary; the wide disparity between Greek and world prices could not be eliminated by deflationary methods, however severe, as in 1952-53, and the complicated system of export subsidies and import taxes, equivalent to a system of multiple exchange rates, had become more and more impracticable and unjustifiable. The spring of 1953 witnessed a concatenation of circumstances, all of which were favourable to the success of the devaluation; home demand as a whole had been flagging for some time, home prices had been stabilised just as the seasonal fall in prices was about to begin, and world prices were either stable or on the decline. Since the devaluation, Greece has enjoyed an exceptionally good harvest and the budget situation has continued to improve. On the other hand, the damage caused by the earthquakes in the Ionian Islands has been an unfavourable factor.

The rise in wholesale prices, rapid between April and August, later became less pronounced and during November the index returned to the August level. This phenomenon was all the more encouraging as the seasonal rise normally starts in November. The cost of living rose less sharply than wholesale prices and, after a pause in October, there was only a slight further rise in November. Apart from seasonal factors which would tend to cause an upward movement during the winter months, the disparity between the rise in wholesale prices and that of the cost of living is obviously significant. The policy of the Greek Government is to prevent the cost of living from rising too steeply by improving productivity, taking certain steps to reduce taxation and encouraging foreign competition.

The considerable increase of current foreign earnings resulting from the devaluation, the continued receipt of external aid (although on a much lower scale) and the flow of investment from abroad that is beginning to take shape suggest that the Greek Government might be able to maintain liberalisation of imports; this, even allowing for the higher prices (in national currency) which will *have to be paid* for imports as a result of the devaluation, should help to prevent prices rising on the home market.

Industrial output has so far been able to develop exceptionally quickly (the index shows an increase of about 4 per cent per month between March and October 1953) owing to the existence of large reserves of idle capacity. This rapid rate of increase is not expected to continue indefinitely, despite the fact that some capacity is still idle; consequently the balance of supply and demand may well assume an entirely new aspect.

The increase in farmers' nominal income has already exerted its full effect on demand, and has materialised as an increase in real income. Wages, however, still present a difficulty; despite some improvement in productivity, real wages per hour have actually dropped by about 5 per cent. The declared policy of the Greek Government is to readjust wages when devaluation has produced its full effects and when a rise in wages can be introduced without causing a further rise in prices. The achievement of this aim may well be facilitated by the continued existence of a certain amount of idle production capacity; another contributory factor would be a reduction in the margin of profit per unit produced; according to statements made by the Greek Delegation, some such reduction is already becoming apparent.

Public Savings

Until price levels have had time to settle down, the Greek Government will have to pursue a conservative policy in order to keep a check on demand as a whole and avoid the speculative hoarding of stocks. The 1953-54 budget estimates show a current surplus of 300 billion drachmae; the estimate for 1952-53 was for a deficit of 400 billion although, in fact, the budget ended in balance. This budget surplus, together with other extraordinary aid and, probably, the proceeds from a projected internal loan of 250 billion drachmae, will provide funds for public investment. The fact that some investment will now be financed out of public savings is encouraging. It is also clear that a reduction of total public consumption would have a stabilising effect. The continuation of rigorous control of credit by the Government is essential.

By stabilising price levels, the Greek Government will create favourable conditions for solving the long-term problems of the Greek economy. The Government's expectation that net national savings, which were negligible between 1948 and 1951, *might amount to* 7 per cent of the national product by 1955 appears to be optimistic—but not impossible—given persistent efforts, particularly in the reorganisation of public finances which has already begun to show favourable results.

External Aid Needed

It is clear, however, that an influx of foreign investment is essential to the satisfactory development of the Greek economy. This is true for all under-developed countries, but particularly so for Greece, which is suffering from the effects of the widespread destruction caused by the war and, more recently, by earthquakes, the loss of most of the revenue from the merchant fleet sailing under foreign flags, heavy expenditure on the armed forces and an unequal distribution of income. The Greek Government can deal with some of these factors; steps have already been taken to regroup the merchant fleet under the national flag; it is also important that the reform of the fiscal system should be continued in order to ensure a more equitable distribution of the burden of taxation. But if Greece were to

From Progress and Problems of the European Economy, Organisation for European Economic Co-operation, Paris, February 12, 1954

finance its investment programme from its own resources and, at the same time, maintain equilibrium in its balance of payments, it would have to reduce consumption to a point which would be quite unacceptable. The need for external aid must therefore be recognised.

(2) IRELAND

Manufacturing industry and the service trades have never been able to absorb the whole of the flow of labour from the land. The rate of emigration has offset the natural increase in the population, but unemployment, while it has decreased considerably compared with pre-war, still remains a problem. Unemployment and emigration might be lessened by more rapid development of manufacturing industry. But Irish industrial output entails a considerable import content, and although higher domestic production of manufactured goods may lead to some decrease in imports of finished products, in many cases this is only possible if protection is accorded to the new industries. In any case, the higher incomes generated by increased industrial activity inevitably raise the import bill. In present circumstances, Ireland's foreign assets are sufficient to enable moderate balance of payments deficits to be incurred, but there is considerable scope for a fuller development of the Irish economy based primarily on the exploitation of Ireland's agricultural resources, and the Government's foremost task must be to promote an improvement of agricultural efficiency.

An increase of agricultural production would have an important bearing on the balance of payments. Agricultural commodities already represent more than two-thirds of Irish exports, and foreign demand for agricultural products, notably in the United Kingdom, offers promising outlets for an increased output provided that it can be sold at competitive prices. In these conditions, greater agricultural efficiency might even increase rather than decrease rural employment opportunities, and higher earnings might retard the movement of labour from the countryside.

The concentration of Irish exports on the United Kingdom involves certain risks, and some attempt has been made to lessen this dependence on a single market. But it is to be noted that the new agreement with the United Kingdom is expected to promote the expansion of Irish agriculture; and any diversification of markets must, to an important extent, depend on greater freedom of international trade in agricultural products and food.

Dependence on U.K. Market

To a very great extent, Irish agricultural prices are determined by prices in the United Kingdom market. Although higher agricultural wages might help to check the exodus from the land with its attendant social problems, it is essential that any rise of wages should be accompanied by at least an equivalent improvement of productivity.

The two most striking facts concerning agricultural efficiency in Ireland are the relatively small output of milk per cow and the very modest use of fertilisers. It appears that considerable improvements should, technically, be possible in

Irish agriculture, and it has already been seen that the Irish Government is taking a number of steps to raise farming efficiency. A considerable effort in the education of the farming community would be needed to secure any widespread adoption of new methods; and as in other countries, the generally conservative outlook of many farmers is a major difficulty that has to be overcome. But there can be no doubt about the value of technical improvement in this field. It could considerably increase output in many sections of Irish agriculture, and probably at a fairly low cost in fixed investment.

The limited use of fertilisers is associated to some extent with the fact that fertiliser prices are higher to Irish farmers than to most.

Secondary Industries

An expanding and prosperous agriculture should provide the basis for a sound development of secondary industries. The very rapid expansion of such industries immediately after the war suffered a check in 1952, but progress should be possible, in future years, in a wide range of industries catering for the home market. Some expansion may also be hoped for in certain industries—e.g. woollens and worsteds, tweeds and, particularly, processed foods and beverages, which have substantial export markets.

Ireland has succeeded in achieving a considerable improvement in the balance of payments with only a minor and temporary deviation from the policy of trade liberalisation. The improvement in the foreign balance as between 1951 and 1952 was brought about by increased exports, the drawing down of stocks and the reduction of purchases of consumer goods from the high level reached in 1951. The adjustments in the pattern of expenditure now appear to have been completed, and economic activity to be recovering.

While the current balance of payments deficit is at present of manageable proportions, the major problem facing the Irish Government is the lack of employment possibilities at home, which results in unemployment as well as a continued outflow of manpower. The problem is not essentially cyclical in character, and it must be emphasised that the creation of adequate employment opportunities is dependent on a general expansion of production based on higher productivity. Higher productivity in agriculture, coupled with the considerable increase in production which should be possible, might increase the attractiveness of rural employment. Higher productivity in industry would enable Irish producers to meet outside competition.

HUNGARY'S INDUSTRIAL OUTPUT FOR 1953

HUNGARY's Central Statistics Office this year for the first time gives the country's industrial output for the previous year in actual quantities instead of as percentages.

Here are the production results for 1953, highest in the country's history:

Coal: 21,300,000 tons; Crude oil: 830,000 tons; Steel: 1,500,000 tons; Pig iron: 760,000 tons; Rolled steel: 840,000 tons; Electrical energy: 4,600 million kwh; Motor-cycles: 14,300; Bicycles: 136,400; Radios: 155,500; Cement: 1,100,000 tons; Fertiliser: 220,000 tons; Woollen cloth: 200 million sq. metres; Leather shoes: 8,400,000 pairs.

Industry as a whole produced 11.8 per cent more than in 1952. Productivity generally was 4.4 per cent up, but in the metallurgical and machine industries it was 11.2 per cent up.

Machines which Hungarian industry produced for the first time included electric hand coal drills, coal loaders, tractor-towed mowing machines, milking machines.

From Hungarian News Service, London, February 8, 1954

British Workers Rich Enough

TO BE GENEROUS TO WORKERS IN BACKWARD COUNTRIES

WHOEVER cares about helping backward areas, and really wants to see something done, should now—once and for all—stop tying it up with the problem of defence and arms.

What we spend or do not spend on armaments is a separate issue, to be decided on quite separate grounds. Economic help should rest on another immediate question—where, out of our £12,000 millions or so annual national income *which is not spent on arms*, can we take some funds for this purpose? If we decided to give only 1 per cent of our total national income it would amount to about £140 millions a year.

That, small as it sounds, would still be just about *six times* as much as we are giving today, and would stand as a most challenging example to other nations to give their 1 per cent too. Where, out of that £12,000 millions which is spent on personal consumption, home investment, social services and so on, are we prepared to find £140 millions? What sacrifice of all the goods and services we now enjoy—and compared with most other nations they are bountiful—are we ready to make?

Actually, there would be no insurmountable practical difficulty in obtaining such a sum from general taxation. Yet, even if unpopularity could be braved, this is not really the best way to go about it.

Suppose, for example, every insured earner in this country were taxed an extra shilling a week, over and above what he already pays for national insurance, and this were earmarked for a kind of world insurance to meet the needs of other peoples. He would have his card stamped with his special world insurance stamp each week, and he would know exactly what it stood for. Psychologically this would be something entirely different from extra pennies on income tax.

With approximately 20 million insured earners in this country, we could raise £52 millions of our target £140 millions a year, in this way. The rest could be left to come out of direct taxation where the richer could make their greater payment (as is done with national insurance). They could hardly object, if every worker were already making so conspicuous a contribution.

No one would pretend that a shilling a week tax (however excellent its purpose) will be immediately popular. But if only some political party had the courage to put this forward as an idea, it may set people thinking, and to very good effect. If there has been, and still is, good reason in this country for taxing the rich to help the poor, there is also good reason for bringing home to the British worker that *he* is a rich man, positively rolling in wealth, compared with the worker in Africa and Asia.

Let us see this idea in the same simple terms that socialists saw the intolerable contrasts between rich and poor, which at one time brought so much unrest and dishonour to our own country. Labour then preached a straight moral obligation on all of us to put an end to these evils, and, when it had the power, it taxed the wealthy for the benefit of the rest.

The same moral obligation exists now within the world community.

From Socialist Commentary, London, March 1954

British Chemical Industry

(I) T.U.C. CONSIDERS PROBLEMS OF CONTROL

FEW industries can do without chemicals. Indeed, with certain exceptions, most of the products of the chemical industry are raw materials for other industries or for other sections of the chemical industry.

One chemical product alone, sulphuric acid, is used so widely that a scarcity of it a few years ago threatened grave harm to the whole of our economy.

Indeed, the first problem is to know where the industry begins and ends, for it is constantly branching out in new directions.

The building of big oil refineries in Britain since the war has stimulated the production of chemicals from the petroleum and the large-scale manufacture of synthetic detergents. The success of penicillin and other new discoveries in medicine has brought the drugs industry into the limelight in recent years; drugs, too, are chemical products though their manufacture may be considered a distinct industry.

To chemicals Britain looks for a big increase in exports and for a contribution towards saving imports in the years ahead. Last year, exports of chemicals, drugs, dyes and colours brought in £130 millions; and the needs of the world are such that we should be able to improve considerably on that figure in spite of growing competition, notably from Germany.

But if we are to maintain—let alone improve upon—our position as an exporter we shall have to be sure that enough capital is invested in the industry to keep it in the forefront with the development of new products and processes.

What is more, without an expanding production of chemicals, many other countries will be thwarted in their own ambition to expand. At the same time, the clamour for bigger output from British farms and the efforts to increase food production in under-developed countries will boost the demand for fertilisers.

Chemicals can make a two-way contribution to saving imports. First, by making more of the products we now import: last year we had to go overseas for £46 million worth of chemicals, drugs, dyes and colours. Second, by helping to expand production of synthetic materials: for instance, greater output of nylon and other synthetic textile fibres might enable to us cut our present heavy spending on raw cotton and wool.

Giant Concentrations

Meanwhile, the fact must be faced that chemicals has long been one of the most highly monopolistic of industries. Even before the war, as a Board of Trade study revealed, nearly half the workers in the chemicals group of trades were employed by the three largest firms. An even higher degree of concentration of production was found in certain of the trades.

The high degree of monopoly is due partly to a series of financial mergers, that brought the giant I.C.I. into existence, and partly to the technical and legal control firms have gained by patenting particular

From Labour (T.U.C. Magazine), London, February 1954 processes or products. Moreover, the big firms carry out such a large part of the industry's research that they handle most of the new developments. As they extend their activities into new fields, like petrochemicals and synthetic fibres, the area of industry in which large-scale monopoly is influential, rapidly widens. It is well known, too, that the industry's monopolistic arrangements extend to the international field.

Back in 1944 the TUC put chemicals on the list of industries in need of public regulation. Re-examining the problem last year the T.U.C. held to the view that there was a need for public control over the industry because of its monopolistic structure and its importance to the economy. But as full and detailed information about the industry's operations is most difficult to obtain, the T.U.C. decided that the next Labour Government ought to make a thorough official investigation into the facts before coming to a final decision on how extensive the control should be and how it should be applied.

If control is to be by straight public ownership, the whole industry could be taken over, or one or more of the big firms could be nationalised.

Thorny Problem

While outright nationalisation would give greater public control over the industry than any other measure, formidable difficulties would have to be overcome. One would be that of defining exactly what to take over in an industry which has thrown its entangling tentacles into so many industries—though this would be avoided if only one firm or a few leading firms were to be nationalised.

Another difficulty—and it is one which could lead to international political complications—arises from the fact that some firms have extensive manufacturing interests abroad and also that there are foreign interests in some firms. But it should not be necessary to acquire all the firms in the industry; ownership of I.C.I. alone might be enough to promote development and to check possible monopoly abuses.

Alternatively, the industry's activities could be supervised by a public Board of Control without any change of ownership.

Public Interest

Supervision by such a board has been proposed before by the T.U.C. for industries not ready for nationalisation but we have no experience of this form of control to be able to say with certainty that it would be adequate to ensure essential development.

The inquiry proposed by the T.U.C. would be intended to give the Government the full facts on which to decide which course of action is most suited to the industry and most likely to serve the public interest best.

In the following pages Imperial Chemical Industries Ltd comments on the proposals made in the Labour Party's 'Challenge to Britain' with which the foregoing article was broadly in line.

It subjects these proposals to a searching examination and shows some of the difficulties that would have to be overcome.

(II) I.C.I. LTD. COMMENTS ON THE DIFFICULTIES

It is indeed a formidable task to draw any boundary line, outside which the chemical industry might remain free and inside which it might be nationalised. If an attempt were made to draw the boundary so as to enclose certain companies inside the ring, then many companies manufacturing the same products—or products sufficiently like them to compete effectively—would remain outside. If, instead of specifying companies, an attempt were made to draw the boundary to enclose specified products, then all the companies manufacturing these products must be brought in, and it would be found that a host of other products not specified, and varying greatly from one company to another, would also be wholly or partially included. If an attempt were made to avoid these two sets of difficulties by splitting off from each company the products on a specified list, the chemical industry would be thrown into chaos, and it could certainly not be nationalised in accordance with the avowed intention of not disturbing the smooth functioning of the industry at home and abroad.

The final decision might take one of various forms. It might be decided to take into public ownership:

1. One firm or a relatively few firms.
2. A larger number of firms.
3. All the firms manufacturing specified products.
4. The manufacture of specified products or groups of products split off from each firm manufacturing them.

Each of these possibilities may be considered in turn.

1. Public Ownership of a Single Firm or a Few Firms

If a single firm were to be nationalised the obvious choice would be I.C.I. Several Divisions of I.C.I.—the Metals, Paints, Leathercloth, Pharmaceuticals and Salt Divisions—would be brought inside the ring, although the products of these Divisions are not included in the sections of the industry mentioned in 'Challenge to Britain'.

On the other hand, I.C.I. is not the sole manufacturer of a large number of products made by the remaining Divisions, so that the nationalised company would find itself in competition with firms remaining unnationalised, and the Government would find that it had no control over these firms.

The addition of three or four firms to I.C.I. would do nothing to avoid these difficulties. For example, it might be decided to nationalise the Distillers Company in order to bring in solvents, but this would bring inside the ring the manufacture of whisky and gin and would still not account for the whole of the production of solvents and petro-chemicals, since these are made also by all the big oil companies. If it were decided to bring in all of these the Government would find that, in addition to controlling solvents, it had also taken over the manufacture of petrol, fuel oil and lubricating oil. Moreover, in the case of the Esso Petroleum Company, it would be involved in complications with American interests, and in the case of Shell, with Dutch interests.

From The Chemical Industry and 'Challenge to Britain', Imperial Chemical Industries Ltd., London, February 1954

2. Public Ownership of a Larger Number of Firms

If it were decided to spread the net more widely and bring in more companies, the difficulties referred to above would be multiplied. For example, Albright and Wilson Ltd. manufactures solvents; but, if it were brought in, phosphorus compounds would be also. British Celanese Ltd. manufactures fibres and textiles as well as solvents. Monsanto Chemicals Ltd. manufactures alkalis, chlorine and sulphuric acid and also a range of specialities such as vanillin and aspirin. Murgatroyd's Salt and Chemical Co. Ltd. manufactures alkalis and chlorine but is also a producer of salt.

3. Public Ownership of all the Firms Manufacturing Specified Products

When the problem is considered from the products side, the difficulties referred to above are again encountered. Sulphuric acid may be taken as an example. Twenty-two members of the Association of British Chemical Manufacturers produce sulphuric acid, and there are at least as many non-members who make sulphuric acid either for sale or for their own use. An example of the latter is Courtaulds, both a buyer and producer of sulphuric acid for its own use in the manufacture of rayon.

These manufacturers of sulphuric acid conduct quite different businesses. For example, F. W. Berk & Co. Ltd. manufactures fine chemicals, as do William Blythe & Co. Ltd. and Brotherton & Co. Ltd. The Eastern Gas Board, the North Thames Gas Board and the South-Eastern Gas Board, which are members of the A.B.C.M., and indeed other Gas Boards which are not, are sulphuric acid manufacturers, but are already nationalised. Presumably sulphuric acid of their manufacture would not be included. Hardman and Holden Ltd. produces also fine chemicals, together with prussian blue and metallic soaps. The Imperial Smelting Corporation Ltd. is a large producer of sulphuric acid, but its primary concern is with zinc smelting and the production of white pigments. Laporte Chemicals Ltd. also produces hydrogen peroxide and bleaching agents. John Riley & Sons Ltd. also produces fine chemicals and other products. Sadler & Co. Ltd. is concerned also in coal tar distillation. Peter Spence & Sons Ltd. manufactures also alum and other products. James Wilkinson & Son Ltd. manufactures metal fluxes, insecticides, fungicides and preservatives for wood, cement and concrete, as well as sulphuric acid.

As far as fertilizers are concerned, all the Gas Boards produce ammonium sulphate, which is thus already partially nationalised. The Fertilizer Manufacturers' Association Ltd. has 73 members, and the Superphosphate Manufacturers' Association Ltd. has 16 members. Ten of these are members of the Association of British Chemical Manufacturers and each of them has a different range of interests outside fertilizers. For example, F. W. Berk & Co. Ltd., British Glues and Chemicals Ltd., Brotherton & Co. Ltd., I.C.I., and the United Indigo and Chemical Co. Ltd. all manufacture fertilizers, but each has its own large field of other interests.

In the dyestuffs and related products field the British Colour Makers' Association has 31 members, and there are a few makers outside the association. 23 members of the A.B.C.M. manufacture dyestuffs or

intermediates, but many of them are also concerned in other branches of the chemical industry.

Again, in the case of plastics, many of the manufacturing firms have widely varying interests in other fields. There are about forty firms making plastic materials, and another 14 produce laminated materials. The fabricators of plastic articles run into hundreds.

The larger the number of products specified the more complicated the situation becomes. This is most evident in the field of heavy chemicals, which appear first in the 'Challenge to Britain' list. No fewer than 80 members of the A.B.C.M. manufacture heavy chemicals of one kind or another. These heavy chemicals are interconnected in a pattern which is far too complicated to be dealt with here and which indeed cannot be properly understood without considerable technical knowledge. This complicated pattern changes as products are added to the selling range. If all the companies manufacturing heavy chemicals were nationalised, the Government would have to take over the manufacture of fine chemicals, proprietary medicines, baby foods, ethical drugs, tar distillation products, hydrocarbon oils, greases, anti-knock compounds, disinfectants, baking powders, gas purifying materials, detergents, textile assistants, rubber chemicals, metals and metal powders, textile fibres, yarns and fabrics, and pigments. This list is by no means exhaustive.

4. Splitting off Specified Products from all the Firms Manufacturing them

Such a scheme, worked out on paper, would meet with practical difficulties as soon as the arrangements for splitting up companies into nationalised and unnationalised sections were considered. In many companies the nationalised and unnationalised products would be found to be joint products of one process carried out on a single plant. In all, the services and overheads would be found to be common to the nationalised and unnationalised products, and in most, the integration of the processes one with another would be upset by the split, so that the carefully balanced economies of the various companies would be destroyed.

All four possible varieties of public ownership for the chemical industry are further complicated by the fact that many of the companies have foreign connections. The Imperial Smelting Corporation is a subsidiary of the Consolidated Zinc Corporation, whose main activities lie in Australia. Monsanto Chemicals is connected with the American Monsanto Chemical Company. The Clayton Aniline Company is a subsidiary of the Swiss Ciba Company. Many British companies have interests abroad, among them I.C.I., Albright and Wilson, the Distillers Company, British Celanese and Fisons.

Thus the enquiry proposed in 'Challenge to Britain' would bring to light the immense complexity of the chemical industry and show the impossibility of drawing a clear-cut boundary line for nationalisation. Some arbitrary line could, of course, be drawn, but only by leaving a large part of the industry in private hands, or by bringing in a very wide range of products not contemplated in 'Challenge to Britain', and not even in the chemical field, or by splitting off some of the activities of existing companies.

'Horizana'

An African tribal custom which, persisting among detribalised natives, bewilders the white man and bedevils the statistician

BY B. W. GUSSMAN

THE detribalised natives of Southern and Central Africa number some two million.

The non-monetary economy of tribal life causes the African to think and to act differently from ourselves. Much of the behaviour resulting from this lack of a monetary system is of little practical importance to the manufacturer. But there are, nevertheless, a number of features that affect the purchasing habits very considerably. The practice known as 'horizana', for instance, can make nonsense of the most accurately compiled income levels and wage rates. Under this system two men, usually close relatives, agree to pool their wages and each hands the other his total wage packet every second month.

Such a system could happen in our own society, although it would be unusual. Were it to occur, it would be taken as axiomatic that the two men would either be earning the same wage or at least making equal contributions. Such would not necessarily be the case in Africa, where it is common for two individuals earning quite different wages to enter into such an agreement, paying out their total earnings to each other every second month.

To us, thinking as we do in terms of monetary values, it is quite illogical for two people to make uneven contributions of this kind. But to the African it is not odd at all. He has never known a monetary economy and his social philosophy is accordingly based on a different, though no less logical, set of rules. African tribal life was organised on the basis of reciprocal services, and men helped each other to the best of their individual ability. Provided they gave of their best when their best was needed, nobody troubled to measure the cost of the contributions made.

This traditional attitude survives in many situations in the detribalised communities, and where 'horizana' is practised the two men concerned are quite satisfied if each contributes towards the other's needs the fruits of an eight-hour day. That the fruits differ cannot be helped. It is just another of the white man's idiosyncrasies that cannot be allowed to stand in the way of what is regarded as normal gentlemanly behaviour.

If it does not confuse the African, however, it can upset the calculations of the marketing statistician considerably, for the buying habits and the goods acquired by a community practising such customs will differ markedly from what would have been expected from the general level of wages received. Many more examples could be given of the pull of traditional attitudes and practices.

The speed with which traditional attitudes can be discarded is related very closely to the extent to which colour bar legislation and every-day discrimination against the African are retained. For African behaviour, and to a considerable extent African buying habits, are closely identifiable with the existence of colour bars in industry and social life.

From Scientific Marketing, London, January 1954

Israel's Growing Pains

ON the 1st of January, 1954, a simplified system of exchange rates came into effect. The previous system of multiple exchange rates, i.e. \$2.80, \$1.40 and \$1 to the Israel Pound, was introduced in February, 1952. Since then frequent adjustments have been made in the categories of transactions to which the different rates applied, and in May 1953 the Government decided to grant an 80 per cent premium to tourists and on nearly all exports, simultaneously levying an 80 per cent surcharge on most goods previously imported at the \$1=IL.1 rate.

The \$2.80 and \$1.40 rates have now been abolished and \$1=IL.1 is the official rate. At the same time, payment of the 80 per cent premium above this rate will now be extended to all Government purchases of foreign currency except those from Jewish national institutions and charitable organisations, on which a premium of only 30 per cent will be paid. The surcharge of 80 per cent will now be levied on almost all Government sales of foreign currency excepting those covering vital imports such as foodstuffs and fuel. Thus, de facto, the main rate of exchange is \$1=IL.1.80 except for some categories of goods imported at the \$1=IL.1 rate, and the abovementioned payment of \$1=IL.1.30 for foreign currency transfers to national institutions and charitable organisations.

The abolition of the \$2.80 and \$1.40 rates and the transition to the \$1=IL.1 rate will only slightly affect the price level. Prices of goods now falling into the \$1=IL.1 category were already raised to a level equivalent to, if not higher than, this rate by way of high import duties and payments to the Price Equalisation Fund or other accounts. These levies have now been reduced to prevent higher prices which would result from a higher rate of exchange.

A cursory glance would appear to indicate that the abolition of two of the exchange rates is an important step towards a single rate of \$1=IL.1.80, as proposed in the majority report of the Foreign Currency Committee. Still, prospects of this happening are not bright if the recent developments, reviewed hereunder, are considered.

Inflationary Spiral

Since the introduction eight months ago of premiums and surcharges of 80 per cent, prices and wages have risen and must be expected to rise still further should the Government decide to extend the 80 per cent surcharge to cover additional categories of imported goods. Because of this, many manufacturers no longer consider the 80 per cent premium satisfactory for exports and, in fact, ways have been found to raise it indirectly. Last May exporters were permitted to open foreign currency accounts with part of the proceeds of their exports. (Different percentages were fixed for different export commodities.) These could be handed over to the Treasury at a rate of \$1 to the IL.1 plus an 80 per cent premium, or used, with Treasury permission, for the importation of raw materials so imported for the production of

From Review of Economic Conditions of Israel, Bank Leumi Le-Israel, Tel Aviv, February 1954 articles sold on the home market. where favourable prices serve to compensate for less satisfactory export proceeds. With the same purpose in mind the Treasury sometimes sanctions barter transactions. This all results in exporters frequently receiving an indirect premium over and above the $1=IL.80 rate. However, those unable to sell on the home market cannot realise such premiums and the Ministry of Trade and Industry has, therefore, suggested to make foreign currency accounts transferable. This would undoubtedly result in a parallel and floating rate of exchange, a somewhat similar situation to that proposed in the minority report of the Foreign Currency Committee, though on a more limited scale. As an important change of policy is involved, it is doubtful whether the proposal will be implemented.

In view of all the above considerations there seems little likelihood of a unified rate of exchange being established in the immediate future.

Wages Tied to Living-cost Index

It was reported some time ago that the Manufacturers' Association had notified the Histadruth Executive of its intention not to renew the quarterly agreement governing the scale of cost-of-living allowance.

Despite this announcement, a new agreement, embodying slight modifications, was reached between the parties and signed within a week after the expiry of the old agreement.

Under the old agreement, full compensation was paid for rises in the cost-of-living index on wages and salaries below IL.80 per month, and a fixed cost-of-living allowance of IL.0.800 for every additional point on basic monthly pay exceeding IL.80. Now full cost-of-living allowances becomes payable on all basic wages and salaries up to IL.125 per month. Earners whose pay exceeds the amount will in future receive IL.1.250 for every additional point in the cost-of-living index.

These changes do not represent any major deviation from the Histadruth's wage policy. The effect of the change is merely to extend payment of full compensation to a new group of earners who, as a result of the equalising effect of the system of cost-of-living and family allowances, could no longer be regarded as being in the higher wage-brackets.

While there was general appreciation of the dangers inherent in a system of automatic cost-of-living allowances, few expected the dispute just terminated to result in far-reaching changes.

Only One Union

It must be remembered that in Israel, unlike other countries, nearly all earners of wages and salaries, from labourers to scientific workers, are organised in one single union, the Histadruth, and that among its members there are many who, in other countries, would not belong to a trade union. This situation makes free wage-bargaining between union and employers virtually impossible.

It must also be borne in mind that the Histadruth, which is closely connected with the largest political party, Mapai, plays a prominent part in many other fields. It is the largest contractor, and in many branches also the foremost producer; it operates the largest wholesale distribution organisation in the country, together with a network of retail stores, and it provides health and other services for the greater

part of the population. These manifold activities raise the Histadruth far above the level of an ordinary trade union.

In wage disputes the Histadruth is in a position to dictate terms. It also largely determines the wage differentiation for the various groups of workers in the different trades.

What, then, motivated the Manufacturers' Association to take issue at this moment? The answer is: Because the Association hoped the authorities would intervene and it did, in fact, appeal to the Government to that end.

There would certainly have been some justification for Government intervention since the cost-of-living allowance agreement reached between the Manufacturers' Association and the Histadruth not only commits manufacturers but also affects virtually all other employers in the country, including the State. The agreement, therefore, exerts a decisive influence on wage policy in general and is of direct concern to the Government not only as employer but also in its task of shaping economic policy.

Nevertheless, the authorities deliberately abstained from all intervention, justifying their attitude by the contention that in labour disputes Government ought to remain neutral. If this is really to be regarded as a principle of Government policy, not only now but also in future, then, in view of the rather unusual labour conditions prevailing in Israel, a paradoxical situation will have been created.

With the general tendency to abolish price and other controls, wage-policy has become one of the few remaining tools of economic planning. Abstention from the use of this instrument deprives Government of the means of implementing any economic policy of its own and is driving the country in the direction of renewed inflation as has become increasingly clear during the past six months. Yet the Government has sacrificed much of its power of effective intervention, although it was put in office by the very voters who declared themselves in favour of economic planning.

TRICKS WITH THE YEN (*continued from page 172*)

its Brazilian credits at 11 per cent. Between the Netherlands and Japan the comparable discounts are 5 and 8 per cent, between Western Germany and Japan 3½ and 4 per cent.

Foreign exchange experts such as Franz Pick interpret the broad Brazilian-Japanese discounts as a device of both nations to move their goods at whatever lower prices may be necessary. There is not much natural trade between Japan and Brazil, but each can sell more to third (natural) markets if prices can be broken a little.

Mr. Etlin reports that a $7,000,000 deal is being set up between Japan and Brazil covering Brazilian sugar and Japanese silk. In effect, the Japanese Government is granting an export bonus to silk exporters and the Brazilians are doing the same for their sugar people. Uncertainty about the size of the discounts has cut silk business in New York in recent weeks.

Mr. Etlin noted that the uncertainties of the Japanese situation since the beginning of the year have revived rumours in Hongkong and elsewhere that Japan once again was considering devaluation of the yen.

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Abbati—'Interesting Pioneer' of the 1920's

BY D. J. COPPOCK (UNIVERSITY OF MANCHESTER)

The works of A. H. Abbati include The Unclaimed Wealth, 1924 *(introduction by J. A. Hobson); The Final Buyer,* 1928*; The Economic Lessons of* 1929-31 *(introduction by Professor T. E. Gregory); The Search for Confidence in* 1932 *(introduction by Sir Basil Blackett); Economic Readjustment in* 1933.

His contributions are acknowledged in a footnote in Keynes's A Treatise on Money, 1935, *and another footnote citing him as an 'interesting pioneer' in Harrod's Life of John Maynard Keynes,* 1953. *There is no reference to him in Keynes's General Theory* (1936).

The two brief extracts given below, from the opening and closing pages of Mr. Coppock's study, are separated in the article by twenty-four pages of careful review and assessment of Abbati's significant contribution to thought in the troubled 1920*'s.*

IT IS strange that Mr. Abbati should be so little mentioned today since his main work was written in the 1920's and seems to have been well known, at the time, to economists of the rank of Keynes, Robertson and Gregory.

The interesting feature of Abbati's contribution was his approach to the problem of unemployment in terms of 'income analysis'. He saw that the level of output was determined by the level of effective demand and that effective demand consisted of the sum of expenditures covering private consumption and investment, government expenditure and the foreign balance. Unemployment would appear, he thought, whenever the sum of the component expenditures was insufficient to purchase the available full employment output and this was constantly threatened by the activity of saving, which destroyed effective demand unless it was neutralised, directly or indirectly, by effective demand created in the various non-consumption sectors. His analysis included an explicit partial relationship between the level of investment and aggregate demand, which enabled him to demonstrate the inability of the banking system to operate as a mechanism equilibrating aggregate decisions concerning saving and investment. Mr Abbati's theory therefore represents a link between Robertson's *Banking Policy and the Price Level* and Keynes's *General Theory of Employment.*

* * *

Abbati's theory represented a positive contribution to the debate of the 1920's. Despite its brevity it came nearer to providing a theory of output than any of the academic works of the period. It is difficult to avoid the feeling that the academic theories would have gained in coherence had they been reformulated in terms of Abbati's concepts and framework.

Lucid Presentation

No attempt will be made to suggest why Abbati's work was neglected. But the objection must be anticipated that his neglect is to be explained by his failure to present his theory in a perspicuous manner. I do not believe that this can have been the case. While his books contained occasional errors and defects of exposition, they are unlikely to have caused much trouble for the professional

(concluded on page 175)

From 'The Theory of Effective Demand in the 1920's', *Manchester School, January,* 1954

Principles of an Employment Policy for India

BY DR N. DAS (CALCUTTA)

LET us consider the approach of India's Five Year Plan towards the problem of unemployment.

In the opening paragraphs of the Plan, it is stated that the central objective is 'to raise the standard of living of the people and to open out to them opportunities for a richer and more varied life'. In other words, it aims at utilising more effectively the resources available to the community, human as well as material, so as to obtain from them a larger output of goods and services.

No one would dispute the above thesis, but the ordinary man is naturally concerned more with the immediate benefits the Plan is likely to secure for him in terms of fuller and more stable employment than with economic development of the country as a whole. It would, therefore, be worth while to examine to what extent the Plan is likely to bring about greater employment of the human resources and whether due importance has been assigned to the latter in assigning priorities and recommending particular fields and types of outlay. In particular, we may inquire (a) to what extent the Five Year Plan is likely to reduce the quantum of unemployment during the short period, and (b) whether it effectively lays the foundation of a policy of greater employment.

Insofar as employment in the first five-year period is concerned, the Plan itself seeks to provide an answer in fairly precise terms. The total outlay of Rs. 20,690 million which is envisaged in the Plan is expected to give additional employment to approximately 5,700,000 of people (outside the tertiary sector) and fuller employment to another 3,600,000 of people in the sector of cottage industries. In the absence of accurate statistical data on available population for gainful occupations, expected volume of employment, volume of unemployment and the manpower requirements in all branches of economic activity, these estimates are admitted to be 'at best rough approximations and may prove wide of the mark'. The Plan does not explain how even this approximate estimate has been arrived at, but an analysis of the increased economic activities envisaged in the first quinquennium inclines the present writer to think that the estimate is far too optimistic and that the additional jobs available would be nor more than two to two-and-a-half million.

Development Needs

According to some, nothing more can be done in the short period. India, it is asserted, is an underdeveloped country, lacking capital equipment and other complementary resources. The need of the hour, therefore, is greater production and more intensive economic development, and not greater employment. Some protagonists go even further. They say that if the choice is between greater employment at a lower level of real wages and lesser employment

From Men Without Work, An Essay on Unemployment, Eastern Economist Pamphlet, New Delhi, Re 1/-

at a higher level of real wages, the latter should be preferred.

The above is rather an over-simplification of the problem. It is true that, in an under-developed economy, a target of full employment is not only more difficult to attain than in a developed economy, but is also a very lengthy process. The social cost involved in effectively mobilising all the available human resources should also not be forgotten. Nor can we entirely overlook the need for increasing the productivity of labour all round so that larger employment can be provided at rising levels of real income. But it is not correct to assert, as some have asserted in the recent past, that there is an inherent contradiction between a policy of greater production and economic development and one of larger employment.

According to many, the social and moral consequences of continued unemployment are so grave that it may be better to employ people even on uneconomic jobs than not to employ them at all, because those who would be taken in employment could, by what they earn and spend, give useful employment to others. Advocates of this school of thought are not frightened by the increase of population which has been taking place in the country every year and which shows no signs of abatement. According to them, a community, however overpopulated, can greatly increase its resources by the application of technique. Scarce resources in a static context, they assert, can be made abundant resources in a dynamic context. They, therefore, emphasise that the primary objective of a policy of economic development should be to prepare a manpower budget and make the best and most effective use of manpower resources in conjuction with other resources.

From a broad social point of view, this line of thinking is unassailable. It is even possible to go a step further and to say that the only effective test of a plan of economic development should be the amount of additional employment it can generate both in the short period and in the long run. Viewed from this angle, all economic and social policies of Government should have only one aim, viz., to create the condition necessary for an increase in employment.

Population Pressure

But how is this social objective to be achieved? While it is comparatively easy to plan economic development based on full utilisation of manpower in a well developed and organised community where the pressure of population does not upset the execution of plans at every stage, it is extremely difficult to do so—at least in the short period—in a community like ours with agriculture and rural crafts still providing the largest measure of employment (or under-employment?), with productivity so low, both absolutely and relatively, and with a good deal of lee-way still to be made up in the sector of capital accumulation and improvements in technique.

In India, a higher standard of living and full employment can be achieved only by a sound, efficient and fuller utilisation of manpower, natural resources, energy and capital. As has been amplified in the First Report of the U. N. Sub-Committee on Economic Development, the emphasis on 'soundness' takes into account the importance of conservation of resources; that on 'efficiency' brings into prominence the importance of increase in output per unit of economic effort in the connotation of economic development; while the emphasis on 'fuller utilisation' draws pointed attention to the fact that, in India, the current low standard of living is a direct result of under-utilisation of the resources of the country, both extensively and intensively. It would, therefore, be desirable to have an increase not merely in the volume of employment but also in its productivity. Economic development should thus involve both an increase in the number of jobs offered and a continued increase in what Keynes calls the 'coefficient of efficiency of labour'.

Judged by the above test, we cannot reasonably say that the Plan has failed to take note of the primary social objectives. One may not agree with the manner and extent of emphasis laid in the Plan on this or that objective of social policy; but, taking the Plan as a whole, the Plan has not denied the importance which the development of employment opportunities should occupy among the considerations guiding economic policy. If some safeguards have been suggested, this has been done with a view to ensuring that other objectives, also vital for national welfare, are not lost sight of.

This does not mean that the pattern of our development plans should remain unchanged. As new situations arise, it may be desirable to lay greater emphasis on the employment-creative aspects of the Plan. The point for consideration is whether we should wait till a certain measure of economic development has taken place first. The answer is both 'yes' and 'no'; while economic development must continue to be the path along which the country should travel, the objective should always be one of achieving greater employment.

Over-Optimism

In recent months, there has been frank recognition of the fact that employment has not been increasing as fast as it was hoped it would. Spokesmen of Government have admitted that the earlier estimates of the employment-yielding capacity of the various schemes included in the Plan were over-optimistic. There has, therefore, been a definite move to recast the Plan, or at least portions of it, with a view to bringing into sharper focus the area of employment which ought to be covered. It has been suggested, for instance, that the programme of the National Extension Service should be expedited; co-operative land resettlement schemes and programmes of basic and vocational education at the primary and secondary stages should be speeded up; new projects should be undertaken for slum clearance and construction of roads in river valley areas as part of the development programmes for those areas, and for the promotion of road transport. Emphasis is also being laid on the development of small-scale industries by providing adequate finance, by working out concrete policies of common production programmes for large-scale and small-scale industries, and by implementing the approved stores purchase policy for the product of cottage and small-scale industries. All these indicate that the ugly menace of unemployment has shaken off some of the earlier complacency, and attempts are being made at long last to evolve a definite employment policy.

This change in outlook is the most welcome feature today in an otherwise depressing situation. Although full employment in the sense in which it is used in the highly industrialised countries of Europe and America may not be within sight in the immediate future, the objective must continue to be one of greater employment, and all the economic policies and efforts of Government should be directed towards this end. On the one hand, the State should adopt a direct employment policy—by launching a programme of public works, by starting industrial projects of its own, and by granting loans and subsidies towards the rebuilding, extension and repairs of houses, factories, installations and plants when these are undertaken by private entrepreneurs. On the other hand, all economic and social policies of Government whether they are price policy, wage policy, interest policy, trade policy or taxation oplicy, should have one guiding principle, viz., whether they would create the conditions necessary for an increase in employment.

India needs 400 Million Dollar Aid to Complete Five Year Plan

THE International Monetary Fund has estimated that India needs approximately $400,000,000 in foreign aid to complete her five-year economic development plan 'so essential to the well-being of the people of India and so important to the survival of democracy in Asia'.

The estimate was contained in the report of a four-man Fund mission which visited India in 1953, at the request of the Indian Government.

Explaining the need for the foreign aid, the report said: 'Much of the foreign resources for the plan consist of India's holdings of foreign exchange. Assured assistance from various countries and the World Bank will provide much of the remaining foreign resources. There is, however, a residual item of about Rs.2,000 million ($400 million), not covered by domestic resources or assured foreign resources, which presumably can only be met by additional foreign assistance. Failure to secure such aid would necessitate a reduction in investment unless additional resources could be secured at home.'

The mission found that it would be 'desirable' that a large part of the proposed foreign aid be supplied 'on a grant basis'. 'This is not to imply that India could not repay any loans it contracts. Rather, it is a recognition of the fact that income levels are so low, and domestic savings so limited, that repayment of loans would necessarily slow down the rate at which consumption standards can rise and development be accelerated in the future.'

The report added that 'even without grants, India must go forward with its development with the aid of whatever foreign capital it can borrow'. The mission noted that although the Indian Government had recently incurred new obligations to the United States and the Fund India's general position on foreign indebtedness was 'enormously improved'. 'With a proper development programme and sound monetary policies', it declared, India should be able to meet its future foreign obligations.

The four members of the mission were: E. M. Bernstein, director of research, Richard Goode, Morris Friedberg and I. G. Patel.

From International Monetary Fund Report, Washington, February 15, 1954

Road Transport Taxation

SOCIAL AND ECONOMIC IMPLICATIONS IN EXPORT ENTERPRISE

A strikingly close relationship exists between the current levels of average income and the numbers of cars and of trucks in each of a wide range of countries, also within the U.S.A. over the past 20 years. Road vehicles have an important part to play in a dynamic economy, and there must be doubts as to the advisability of the heavy taxes frequently imposed.

VEHICLES and motor fuels are easily taxed (in many countries much more easily than incomes), with the result that imposts on them tend to be set at high levels without due regard to the indirect effects of such taxes on the development of the economy.

The effect of such a superficial approach to transport taxation is heightened in the case of under-developed countries. At some past stage during the development of each of the economically more advanced nations there has been a transport boom, usually a railway boom; but today there is the technical possibility, absent before, of a country being developed and its transport needs met entirely by means of road transport. Economic and geographical factors peculiar to each economy determine the extent to which road transport can be economically employed in any particular case, but in almost every developing country today there is a very wide scope—given the necessary road construction—for the growth of road traffic. Striking evidence of the close alliance between the degree of economic development and the use of roads for goods transport is provided in the Table.

In the countries of lower average incomes, the immediate need for road transport is much less; also,

CARS AND TRUCKS COMPARED WITH INCOME PER HEAD

	Income per head (equiv. U.S.$)	Cars per 1,000 population	Trucks per 1,000 population
U.S.A.	1,857	279	59
Canada	1,228	161	54
Sweden	1,062	51	14
Switzerland	967	39	9
Australia	911	126	65
New Zealand	907	149	55
U.K.	758	50	20
Belgium	700	41	18
Norway	698	24	20
France	691	38	22
W. Germany	483	21	11
Netherlands	465	16	9
Argentina	298	12	7
Brazil	231	5	4
Portugal	186	9	4
Turkey	170	0.6	0.7
Thailand	67	0.6	0.3
India	53	0.5	0.3

From Petroleum Press Service, London, March 1954 road construction is, on a nation-wide scale, only in its earliest stages. Thus the figures of vehicles in India and Thailand (which are representative of other countries at the same stage of economic development) fall far below the line of average vehicle-incomes relationships. This picture implies, however, that in these lower-income countries the scope for rapid growth in road transport is enormous, each advance of average incomes promising a very large gain in vehicles in use.

As already mentioned, the close relationship evident between incomes and vehicles in use at middle income levels does not seem to hold good in the upper ranges of income. It would, indeed, be unreasonable to expect that the number of vehicles should continue indefinitely to rise at a progressively faster percentage rate than incomes. Growing concentration on the provision of services (*i.e.*, industrial activity providing services rather than goods), including transport, is a common characteristic of the more industrialised economies. But there must be an upper limit to more intensive transport use.

Inter alia, growth of towns tends to diminish the average increase in the number of vehicles accompanying each increase in population. These factors are partly reflected in the forecast, implicit in the Paley Commission's figures, that an increase in U.S. gross national product between 1947 and 1975 by 125 per cent would be accompanied by an increase in all forms of transport use (as measured by energy consumed for transport) by only 88 per cent. Part of this difference will, however, also be accounted for by improved efficiency in the use of fuel during the period.

Not much significance, however, can be attached to these figures as an indication of what may be expected in other countries as they move towards past U.S. average income levels. The very scattered picture presented by the three Dominions, Australia, New Zealand and Canada and by Sweden and Switzerland, all countries with incomes per head now about the level attained by U.S. incomes per head in 1933, gives warning that particular characteristics of each country strongly affect the use of road transport. The extent of the road network and of alternative forms of transport, including, as well as railways, coastal shipping and inland waterways, the size and climatic conditions of the country, the extent to which centres of economic activity are concentrated or dispersed, and a multitude of other physical and social considerations, all affect the degree to which each economy depends on road transport. Nevertheless, the closeness with which many diverse countries adhere to the pattern of average road transport growth in relation to incomes is remarkable, and cannot be dismissed as coincidence.

Unenlightened Taxation

The obvious dependence of an expanding economy upon an increasing use of road transport has not deterred the governments of developing countries from imposing high rates of taxation on both road vehicles and fuels, despite the economic arguments against this course.

The effects of high tax rates on road transport cannot be assessed simply by comparing the tax rates in various countries with their respective number of vehicles in use. The present number of vehicles is, of course, partly related to the past

tax and general history of the economy concerned rather than to the specific tax rates existing today. Sharp boosts in road taxes in many countries in recent years, have doubtless retarded the rate of further growth in road vehicle use, and have raised general industrial money costs wherever they have been imposed. They could not, however, be expected substantially to reduce the size of the already existing vehicle fleets, in which large capital sums had been invested over a period of many years, and which have become part of the essential transport requirements of the country.

Injurious Effects

It is evident, however, that if the price of road transport is raised by taxation then the users of transport will choose 'inefficiently' between road transport and alternatives, *e.g.*, rail or water transport. They will prefer to send goods by that means which in terms of money appears to be the cheaper. But had taxes not been imposed on road transport it might, in terms of total resources used, have been in reality cheaper both to the user and to the community as a whole to send the goods by road. Discriminatory taxation on one form of transport imposes a distortion which can only be injurious to an economy.

Contrary to the widespread practice of imposing heavy taxation on road transport there is in fact a strong case in under-developed economies for subsidising it—although the abandonment of taxes on road transport for revenue-raising purposes might, in some cases, pose problems of finding alternative sources of revenue. But transport is

an indispensable forerunner and accompaniment of all economic expansion. Its role as a development agent could often justify the running of services which, though not immediately profitable in themselves, are of considerable long-term benefit in promoting and supporting the growth of the adolescent economy.

Turning from industrial and commercial vehicles to the passenger car, taxation in this field with an eye primarily to revenue has, perhaps, a more legitimate place. It must, however, be borne in mind that everywhere passenger cars are often extensively used for business purposes. In such instances the effect of taxes on their use differ only in degree from those of taxes on commercial vehicles.

Incentive

In general, taxes on road fuels and annual vehicle taxes, if kept at modest levels, are not likely to present insuperable obstacles to the growth of car ownership, although gasoline taxes may noticeably affect the actual use of cars. The level of incomes—also of income taxation—and prices of vehicles are more powerful determinants. This does not mean, however, that the social effects of taxes on private cars can be ignored. One important aspect is that too high a level of taxation (including heavy sales or purchase taxes on cars), may effectively place the private car beyond the means of the average worker, thereby destroying a potentially valuable incentive to personal effort. Recent U.S. history of sharply rising productivity and living standards which today include, as a virtual necessity, almost universal car ownership, provides a significant lesson in this respect.

Case Against Price Supports

BY W. M. CURTISS

AGRICULTURAL leaders, like leaders in other industries, have long been trying to devise some system to raise the price of their products above free market prices, without at the same time exercising some direct control over production.

Such a search seems doomed to failure because of the very nature of the price system. If prices of individual commodities are too high, they stimulate too much production and too little consumption at that level of prices; some kinds of production controls thus become necessary unless the government dumps its surplus abroad or gives it away or diverts it into other uses at home.

If prices are too low, some other type of stimulus such as subsidies or direct compulsion is required to bring out the production assumed necessary. It is but a short step from there to the British system where prices are guaranteed and producers told what to produce. It is still a shorter step from that to complete nationalisation of the industry.

Crutch for Inefficiency

Another consequence of a price support which holds a price above where it would be in a free market, is its effect in keeping less efficient producers in business. A competitive economy, based on free market prices, has been an important factor in improving efficiency in all types of business. The market price serves as a signal to the high cost or less efficient producer to use his talents and resources elsewhere. Think what would be the situation in the automobile business today if, through support prices, all of the hundreds of auto manufacturers that have fallen by the wayside had been kept in business at public expense. Suppose we had adopted a system of price supports to keep horsecart manufacturers in business.

The New York State College of Agriculture supervises detailed cost accounts on a number of New York farms each year. On those farms in 1946 where potatoes were grown and detailed records of costs were kept, the cost to produce a bushel of potatoes varied from 49 cents for the lowest to \$1.92 for the highest cost farm. The average cost was 75 cents a bushel.

Now, suppose in 1946 the predominant judgement of potato growers had been that, for the following year, the potato business didn't appear as attractive as some other crop and some growers decided to reduce potato acreage. Which ones should have reduced? We will probably all agree that it is the high cost producers or those who have a more profitable use of their resources, regardless of their costs, who should drop out. They might better spend their time doing something more profitable. The free market is the guide in this course of action. As a result, the entire economy, as well as individual producers, benefits.

Planning Dilemma

Instead of a free market for potatoes, suppose the price is arbitrarily set above the market at, say, \$2.00 a bushel. What happens? Not only are the less efficient producers encouraged to stay in the potato business, but also new producers who are still less efficient may be drawn in. As a result, more potatoes may be produced than can be sold at the designated price.

The problem of the planners now is what to do about the surplus production. They may decide that acreage should be reduced or marketing quotas should be established. How will they do it? Your guess is as good as mine because it is now a political football. They may decide to scale down each grower's acreage by the same percentage. It would be virtually impossible to set up a workable formula that would affect nearby areas and areas far from the market, the way a free price would. The method chosen is not likely to be one that will eliminate the less efficient producers.

Competition and Progress

Problems on the consumption side are just as involved and critical.

Over the years, less efficient farmers have found that they could not meet the competition of more efficient ones. In our expanding economy they have found their services useful elsewhere. This has made it possible for the efficiency of our farms to increase from the point where an average farm produced little more than enough for the farmer and his family to where a farm family now feeds itself and five or six other families. The farmer not only feeds his family better but also gains from the production of automobiles, refrigerators, bathtubs, transportation, entertainment, education, churches and many, many other goods and services produced by non-farmers.

Efficient farm producers have nothing to fear from competition. It is the lack of competition that they should fear. It has been estimated that one-third of the farmers produce 80 per cent of the nation's food. Price supports will tend to keep in competition the least efficient one-third of the farmers who produce only 4 per cent of the food and who might far better be doing something else.

Two Wrongs

An argument frequently used by agricultural leaders for various farm programmes is that labour and other types of business have 'enjoyed' advantages in the form of tariffs and other devices, and that therefore agriculture is entitled to a share of 'protection'. These are exactly the tactics used in a pressure-group economy. Two wrongs do not make a right. And in the end, this process leads to a thoroughly confused situation where vast numbers of persons become willing to turn the whole sorry mess over to government, as they are rapidly doing in England and have done in other nations of the world.

Summarising briefly, price supports, like other forms of price control, are not an answer to the important problem of bringing reasonable stability to our economy—of eliminating major swings in our general price level caused by monetary inflation and deflation. In addition to its failure to reach this objective, price supports rob us of the most important function of free prices—the guiding of production and consumption of goods and services in accordance with the wishes of those directly concerned.

Finally, price controls must be accompanied by controls of production and consumption. It cannot be otherwise. Such controls lead to complete economic domination of citizens by agents of the State.

From Report, Wigglesworth & Co. Ltd., London, January 1954

Speculation: Why and How

BY A. A. HOOKER

SPECULATION is inherent in our civilisation. It is inconceivable that values could remain static. It therefore follows that speculation cannot be eliminated, it can only be transferred. There are unnecessary forms of speculation which are created especially for the speculator, *e.g.*, games of chance, betting on dogs and horses, football pools, etc., but speculation in commodity values is not artificially created. It is inevitable. The risk of changing values has to be carried by someone, and whoever carries it is performing a service to the community.

If we include attempted manipulation, it is fair to say that all speculation on a future market is beneficial in that it broadens the market. Informed speculation has additional value in ironing out 'bulges' and 'dips', and the activities of professional speculators in straddling and arbitraging between markets help to correct temporary discrepancies and to provide contracts for traders who wish to place hedges.

A futures market is a barometer which indicates the price of a commodity at various points in Time. Whether these indications prove to be right or wrong in the event, they are the result of so much informed opinion, that it is reasonable to assert that they are the best available indications at the time they are made.

Many different interests take a hand in anticipating supply and demand and their concerted opinion is expressed in the price of futures. If, by correct anticipation, some make a profit, they have earned it because correctly to anticipate the future is beneficial to the community. If, by incorrect anticipation, some make losses, their activities are still beneficial to the community because they have helped to provide a service by which the Trade reduces the cost of distributing the commodity.

Producers and consumers each have their own special problems and, in the case of agricultural products, they are not necessarily prepared to sell and buy at the same time. The farmers want to sell their crops as soon as harvested, but the consumer wants to buy all the year round. Through the medium of the market, the speculator makes this possible, thus relieving both producer and consumer from the unwelcome risk of price changes which they would incur by carrying stocks.

Most speculators have to lose money before they make it. Without that salutary experience, they are apt to treat speculation light-heartedly with irrational optimism. Speculation should be treated as a serious, methodical business.

Apart from professional operations, there are three general methods of speculating. The 'punter' usually adopts the first method of buying for a rise, or selling for a fall. This is not nearly so easy as it sounds. It is hard enough to decide when to buy, but it is harder still to decide when to sell. Yet indecision is fatal.

The second method is known as 'averaging'. In this case, the speculator begins business with part only of his trading capacity. He must decide how many more units he is prepared to buy or sell should his initial trade show a loss, and at what intervals of time or differences in price he is going to operate. His object is to ensure a satisfactory average price for his total investment. The operation can be undone, as soon as the market shows a profit on the average, either by closing out the whole investment or by units on limits.

If his initial trade shows him a profit at once, thus preventing him from averaging, he is probably well advised to take the profit and wait.

Averaging can also be done on the principle of increasing the stake or doubling up. This principle may be sound for roulette, if on an even chance, or even in the Stock Market if the investor is paying cash for his stock, but it is liable to lead a speculator into the bad habit of 'overtrading' when adopted in a market where business is done 'on margin'.

The third method is called 'pyramidding', and consists of building up a position in the market on profits only. An initial transaction is followed by others at carefully spaced intervals of apparent profit, the pyramid being allowed to grow so long as the market continues to move in a favourable direction. A deal of this nature should always be accompanied by definite instructions to liquidate the entire commitment on 'stop-loss' limits immediately the market shows signs of turning, the 'stop-loss' limits being moved closely in the wake of the market, but not too close. 'Pyramidding' is obviously the best and safest method of making a fortune and consequently it is rarely successful. It requires a market with a steady long-term trend and no appreciable change of direction. The spacing of limits is difficult and great tenacity is required if a substantial 'pyramid' is to be built.

All these three methods of speculation will be profitable in their own type of market. The most difficult party of commodity speculation is to forecast the type of market ahead.

Most speculators are handicapped by the human factor, which prevents them from exercising objective judgment once they are committed. This is called 'talking and thinking according to their book'. Others spend too much time regretting all the opportunities they have missed. This is called 'trading backwards'.

Unless one is proposing to become a professional speculator, it is unwise to trade too often. It is better to stay on the touch-line and watch the game before joining in. Beware of floundering 'out of step' with the market. It is most provoking. Remember that the market is usually right. Finally, never speculate unless you can afford to lose.

From Grain Futures, Hooker, Hampson & Reynolds, London, December 1953

COWS DON'T CARE

WHEN cows graze, every thousand gallons of milk remove from the soil the equivalent of 20 lbs. of lime, 110 lbs. of superphosphate, and 40 lbs. of muriate of potash. Every ton of good hay removes the equivalent of 45 lbs. of lime, 100 lbs. of superphosphate and 150 lbs. of muriate of potash. Grass, like grain, needs three main chemicals to sustain its growth: nitrogen, phosphorus, and potash. Nitrogen stimulates stem and leaf growth, and on an acre of corn a cwt. of nitrogenous fertiliser can yield an extra 2½ cwt. of grain, 2 cwt. an extra 4½ cwt., and 3 cwt. an extra 5½ cwt. Phosphorus encourages root growth and potash helps plants to mature: in a field of potatoes, for example, 4 cwt. of nitrogenous sulphate of ammonia to the acre can produce an extra 34 cwt., 4 cwt. of superphosphate another 10 cwt., and 2½ cwt. of muriate of potash another 20 cwt. These chemicals tend to interact—lack of potash, for example, may prevent a plant making full use of the nitrogen in the soil—and usually give better results when used in combination.

From Bulletin for Industry, H.M. Treasury, London, February 1954

Where Canada's Interest Lies

BY THE RT HON. L. S. AMERY, C.H.

This is the right road for Canada as it presents itself to the mind of an indefatigable believer in Empire. Canadians will appreciate its polished accent even if they feel that the argument is not definitive.

CANADA'S future growth is assured. There remains the question, how can it be most fully developed? How can she best achieve an all-round steadily expanding economy within her own control?

Should it be on the self-contained lines on which the United States have grown to greatness? Should it be by adherence to a policy of non-discriminatory multilateral trade as now preached by the United States in the interest of American economic predominance? Or should it, following the historic lines by which this country originally grew to greatness, lie in building up an effective nation group to complement and strengthen her own economic life?

Not a Balanced Economy

The outstanding feature of the United States' economy is that it is, to most intents and purposes, an all-round self-balancing economy. The case of Canada is entirely different. Her economy is, like ours, essentially a highly unbalanced one. It is one of immense surplus productive capacity in respect of foodstuffs of the northern temperate zone, raw materials and minerals. However great her industrial development—and she is destined to be one of the world's great industrial powers—the immense area of her agricultural lands and, even more perhaps, the vast mineral resources of the great pre-Cambrian rock shield, will make it a matter of generations before she can absorb anything like the whole of her vast primary output. On the other hand her economy is a deficiency economy, temporarily in some elements of industrial equipment, but permanently in respect of all the products of the southern temperate, subtropical and tropical regions. External trade is for her, as for us, both a matter of existence and the essential condition for the fullest expansion of her resources.

There is much, indeed, in the relation of Canada to the United States which can find its parallel in the relation of England to France in earlier centuries. England could never hope to vie with France in the extent and range of her resources or in the size of her home market. But by creating for herself a new world of 'ships, colonies and commerce' she redressed the balance of the old, and, in the end, outstripped France, not only in wealth but in actual population. The new world of air transport finds Canada as favourably situated for expansion in every direction, as England was at the opening of the new world of oceanic navigation in an earlier Elizabethan era. But to spread her wings over the world she must shake herself free from the economic forces which tend to drag her down to a continental destiny as the satellite of her wealthier and more highly developed neighbour.

That has not, indeed, been the intention of the statesmen who have controlled Canada's economic policy in recent years. Their ideal has been a policy of economic detachment from any close external association, to be secured within the framework of a restored nineteenth-century world of unfettered international competition.

Even more restrictive of Canada's freedom of action has been the peculiar psychological complex which has made it seem to her not only natural, but inevitable, that she should be regarded as part of the Dollar Area, and so be subject to the restrictions which the nations have been compelled to impose on imports from the United States. It is true that her currency is reckoned in dollars, and that, as a matter of habit and convenience, she nowadays carries on most of her financial transactions through New York. But that is no reason why she should not have found some way of accepting sterling as legitimate money, and so secured for herself, in some measure at least, the advantages of membership of the Sterling Area, still the world's greatest trading system.

Canada and Sterling

Even actually joing the Sterling Area would not involve anything more than accepting sterling as payment for Canadian exports. It would not mean that Canadian currency should cease to be reckoned in dollars. Still less that Canada should accept sterling at any other rate than which at any time suited her best. If Canada fixed her rate for sterling at the same rate as the United States the American-Canadian exchange would be unaffected. If sterling fell again, Canada could decline to follow—or it might suit her, by following, to secure the additional protection against American competition, and the additional inducement to American equity investment, as against some extra cost on the much smaller volume of fixed charges due in New York.

The real difficulty would lie in the fact that Canada would undoubtedly, for a time at least, find herself accumulating a surplus of sterling over and above her current requirements. In other words she would become a holder of sterling balances, some or all of which would have to be temporarily reserved by agreement for capital investment. But she has reached a stage in her industrial and technical progress when she could make effective use of the opportunities offered for investment in the Sterling Area and elsewhere, for bringing British industries and their personnel to Canada, for increasing her mercantile marine, etc. She might limit her commitment, indeed, in respect of sterling to a given annual maximum for such specific purposes, and with a guarantee against further devaluation, until such time as the current trade figures with the Sterling Area have more nearly approximated to a balance, thus joining the Sterling Area by stages.

What, on the other hand, would be the advantages resulting from Canada's decision to accept sterling as payment, either with or without some definite overhead limit? The first result would be that, instead of restricting our Canadian purchases, we should go all out to buy every ounce that Canada can produce, as we are today buying everything that Australia produces. And not only we here, but the rest of the Sterling Area, while European countries would in large measure follow suit, in so far as they find sterling an easier currency to meet than the American dollar. With plenty of sterling to spend, Canada's purchases from the non-dollar world would

From A Balanced Economy, by L. S. Amery (Hutchinson, London) certainly increase. The log jam would be broken. Canada would be in a position to develop her vast resources to the utmost and to attract immigrants and capital, American or British, to enable her economy to expand to the full extent of those resources.

Towards Convertibility

What of the wider consequences? Sterling would obviously be greatly strengthened and the Sterling Area's dollar gap enormously reduced. But the effect would extend beyond that, and go far towards redressing the general world unbalance. Here the figures are very significant. Canada's total industrial production may not be more than 8 per cent of that of the States. But her contribution in respect of the products that create the dollar gap is far larger. In 1952 Canadian exports to Sterling Area and E.R.P. countries combined amounted to £1,079.5 million as against £1,662.7 million for the United States, i.e. 39.4 per cent of the total. To the Sterling Area alone they were £375.6 million as against £660.8 million, i.e. 36.2 per cent of the total; to the United Kingdom £271.2 million as against £238.8 million, i.e. more than 53 per cent of our total dollar imports. The transfer of Canada's exports, at their present level, to the sterling side of the account would at once nearly halve the gap. But the effect would be greatly enhanced by the increase of Canada's exports to the limit of her productive capacity and by the reduction of her American adverse balance consequent on the increase of her own purchases from the Sterling Area and from Europe. The reduction of the gap might well be sufficient to bring general convertibility and multilateral trading in sight, and so lead to a world-wide easing of restrictive practices, as well as to encourage systematic American investment in an expanding Canada and a strengthened Sterling Area.

There is, in fact, no effective or permanent remedy for the world unbalance caused by the immense preponderance and fluctuating dynamic of the American economy except the building up of other nation-group economies which can balance it. That process is bound to take place by one method or another. As the process takes shape, it will be of immense importance, not only to Canada, but to the British Commonwealth and to the world, whether Canada takes the lead in building up the Commonwealth, or drifts into the position of an appendage to the American economy.

The latter alternative is, of course, always open to Canada. If she takes it, that is more likely to be the result of acquiescence in existing trends than of definite conscious choice. For while absorption into the American economy would, no doubt, add to the balanced expansion of the North American Continent as a whole, the greater part of the expansion would, by the sheer scale and momentum of the United States' economy, continue to take place south of the frontier. Such a policy would surely be the abnegation of the unique opportunity which Canada's resources and geographical position offer to her of building up for herself the maximum of balanced economy, and, consequently, of population and strength, within her own borders.

Canada has reached a point in her development when she could take a leading part in the development of the British Commonwealth, as well as in the regeneration of Europe, if she but wills it.

New Books Reviewed

The 1954 *Black Market Year-Book by Franz Pick. Published by Pick's World Currency Report*, 75 *West Street, New York* 6, *N.Y.* $25.00.

The effects of inflation on the value of savings are difficult to understand and few people outside the small circle of foreign exchange dealers and international merchants fully realise the extent of illegal transactions as an undesired, but unavoidable, consequence of exchange control. The Black Market Year-book, now published for the third time, fulfils a useful function in presenting these unpleasant facts. The author admits that 'the glimmer of a first silver lining has appeared on the horizon of the Black Market era'—citing sounder conditions in such countries as Austria, Holland, Germany and Italy—but is doubtful whether the current year will mark a real turning-point.

During the past 14 years, every existing currency in the world has been depreciated by at least 50 per cent of its 1938 value. At the beginning of 1954 nine-tenths of the world's population was legally denied freedom to transfer their assets into convertible currencies.

The chapter on currencies contains detailed tables on exchange rates in 57 countries. Tribute is paid to the skill of Mr Butler's monetary administration and the strengthening of the pound sterling in the last two years. Eighty-nine sterling varieties, of which 52 are traded in New York, are listed. Other chapters deal with the free gold market, and the U.S. premium markets for metals and nylon, which with the abolition of price controls have now disappeared.

A new chapter on clearing currencies shows that at the end of last year only one-fourth of the total world trade was conducted in freely convertible currencies.

Grain Futures, an Introduction to the U.K. Markets, by A. A. Hooker, Hampson and Reynolds Ltd., 24 *St Mary Axe, London, E.C.*3. 1/-

This handy little booklet achieves the author's aim of providing the basic facts concerning the Grain Futures Market. It describes the operation of the market and the functions of hedging. The section on speculation should be read by all who see only evil in private trading and markets. (See page 186 of this number of *Economic Digest*.) There is a useful summary of the main features of the U.K. markets.

Commonwealth Stocktaking by L. St. Clare Grondona, Butterworths Publications Ltd., London. 35/-

Enthusiasts for the development of the British Commonwealth are rarely liberal economists, but Colonel Grondona is the exception. Yet his enthusiasm is at white-heat all the same, and has taken him to extraordinary lengths in order to bring together the facts of production and trade of every part of the Commonwealth. His advocacy at least rests on a basis of clearly-stated fact, and even those who are not persuaded by his eloquence will value Commonwealth Stocktaking as a first class book of reference, unique in its field.

Official Year-Book of the Church of England, 1954-55, *S.P.C.K., London.* 20/-

This is the seventy-second edition of this standard work of reference. The presentation of statistics—ordinations, confirmations, etc. —progresses slowly, but still progresses. An institution of the size and social importance of the Church of England ought to be more ambitious than it is to gather together its statistics properly, and to give an adequate section of its official year-book to them. Significant figures have in fact been published in pamphlet form by the Church in the last year but are not picked up and brought up to date in the year-book.

Wirtschaftliche Zusammenarbeit mit unentwickelten Landern, by Hans Schuster, published for Bremer Ausschuss fur Wirtschaftsforschung by Friedrich Trujen Verlag, Bremen.

Belgisch-Kongo, by Dr Ernst Hickmann; F. Trujen Verlag, Bremen.

West and Ostafrika, by Dr Ernst Hickmann; Wirtschaftsdienst G.m.b.H., Cologne.

Wirtschaftsdaten, F. Trujen Verlag, Bremen.

The first three items listed above are indicative of the German interest in problems of the under-developed countries, particularly Africa. *Wirtschaftsdaten* is a well-produced and concise summary of German statistics.

FOR REFERENCE

*Items in this Section are kept for one year at the offices of Economic Digest. They are available to members of the Economic Research Council and readers by arrangement. Please write, citing reference number of item given in brackets, to 18 South Street, London, W.*1, *or telephone GROsvenor* 4581.

British Guiana: A comprehensive and beautifully-produced survey of the economy of this 'land of opportunity', published by the Government of British Guiana. The statistics refer mainly to the year 1952. (478)

U.K. Agriculture: *Changes in British Agriculture, A Background for a Study of Present Conditions*, by K. E. Hunt, University of Oxford Institute for Research in Agricultural Economics. This is indeed a valuable background document. Statistics in several instances go as far back as 1870, and into considerable detail. The research is of the quality one expects from the Oxford Institute, and the perspective is never distorted. (479)

U.K. Agriculture: *Livestock Products in the United Kingdom*, 1953, University of Oxford Institute for Research in Agricultural Economics. (480)

U.K. Agriculture: *British Agricultural Prices*, 1921-1953, by K. E. Hunt and K. R. Clark, University of Oxford Institute for Research in Agricultural Economics. (481)

U.K. Agriculture: *The Agricultural-Economic Policy of U.K.* (1947-53), by M. L. Manfredini Gasparetto (in Italian), Rivista di Economia Agraria, Instituto Nazionale di Economia Agraria, Rome, December 1953. This is the picture as it is seen by critical, if sympathetic, foreign eyes. Reviewing 1943/51, the author says: 'Numerous government controls constituted a costly mechanism, and high prices linked to a paucity of labour created such an upheaval of economic relations that the spectre of inflation hovered over the country'. (482)

Rural Water Supplies by H. P. Kaufmann, *Town and Country Planning, London, March* 1954, an up-to-date and authoritative statement of the impressive progress made towards the ideal when 'every village, every considerable group of houses, and every school in England and Wales, is assured of an ample piped supply of wholesome water'. (483)

Italian Agriculture: *Supervised Agricultural Credit—A Programme of Social Assistance to aid Low-Income Farm Families*, by D. Viggiani (in Italian), Rivista di Economia Agraria, Instituto Nazionale di Economia Agraria, Rome, December 1953. (484)

Japanese Banking: *Post-war Evolution of the Japanese Banking System*, by Toshimichi Kajiki (in Italian), Bancaria, Associazione Bancaria Italiana, Rome, December 1953. 'At present the predominant trend appears to be that of organising a group of typically commercial banks specialising in short-term credit, and simultaneously the development of institutions specialising in the granting of medium and long-term credit to industry, agriculture, building and export.' Japan's pre-war banking system was demolished in 1946/7, and reconstruction started in 1947. (485)

Japan's Small Industries: *The Nature of Small Industries—A Survey of the Economic Interpretation is Japan*, by Tokutaro Yamanaka, Annals of Hitotubashi Academy, Tokyo, October 1953. (486)

South Africa: *Review of Economies of Union of South Africa, S.W. Africa, S. Rhodesia, N. Rhodesia, Nyasaland, Portuguese East Africa, Kenya, Uganda, Tanganyika, Zanzibar.* Review, The Standard Bank of South Africa, February 1954. (487)

Rice: *Rice, No. 4 in Commodity Reports series*, F.A.O., Rome, December 1953. (488)

Silver: *World Trends in Silver Since the War*, prepared by Y. S. Kedari in the Division of Monetary Research, Reserve Bank of India Bulletin, Bombay, December 1953. A first-class survey with eight statistical tables. (489)

Banking: *Moneto e Credito*, Banca Nazionale del Lavoro, Rome, No. 3, 1953. A symposium (in Italian) on Money and Banking with contributions by David Rowan, Giulio Garaguso, Helmut Lipfert, Claudio Alhaiquem, Carlo Zacchia, Nora Federici. (490)

Export Finance: *Effective Promotion of European Exports Through Export Credits Guarantees* by Carl Major Wright, Quarterly Review, Skandinaviska Banken, Stockholm, January 1954. (491)

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