

## 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 items given in brackets, to 18 South Street, London, W.1, or telephone GROsvener 4581.

**Agricultural Products Marketing:** *Problems of Selling Farm Products in the World and in the Netherlands*, by S. L. Mansholt, Netherlands Minister of Agriculture, Fisheries and Food Supply. Quarterly Review, Amsterdamsche Bank Inccasso Bank, Amsterdam, Fourth Quarter 1953. (518)

**Backward Countries, Technical Aid:** Following the pattern established a year ago, New York Times on May 24, 1954, produced another admirable survey, country by country, of progress of technical aid. The reports are written by the newspaper's own correspondents, and the resultant collection of facts will take many a month before it trickles through official channels. A most useful piece of work, easy to refer to, precise in its records, and well supported by statistics. (519)

**Labour Force Statistics: Labour Force Statistics—Sample Survey Methods**, O.E.C., Paris, April 1954. A technical treatise prepared for the guidance of Technical Assistance Missions. It is concerned with how to do the job, not with any results of doing it. (520)

**National Income Statistics: National Income Statistics—Are They Accurate or Useful?**, by C. T. Saunders, The Incorporated Statistician, London, March 1954. An eminent civil servant's description of methods of compilation, and warning against inherent limitations. (521)

**Australia's Banking System:** *The Australian Banking System*, a useful study prepared by M. V. Sanggiri in the Division of Banking Research of the Department of Research and Statistics, Reserve Bank of India Bulletin, Bombay, March 1954. (522)

**Canada's Construction Industries:** *Construction in Canada*, Commercial Letter, Canadian Bank of Commerce, Toronto, April 1954. The period covered is 1932 to

1954. Expenditure in millions of dollars at representative points in the series was \$57 (1932), 744 (1939), 2,819 (1949), 4,597 (1953), 4,829 (1954). (523)

**Canada's National Income and Expenditure:** *Canada's National Product and its Distribution, 1939, 1946, 1952, 1953*; Supplement to Business Review, Bank of Montreal, May 1954. (524)

**Italy's Natural Gas:** *Methane, A New Source of Wealth for Italy*, Italian Affairs, Rome, May 1954. (525)

**Italy's Agriculture:** *Post-War Agricultural Development in Italy*, Italian Affairs, Rome, May 1954. (526)

**Italy's Industry, Finance, Economy:** *The 1951 Census of Industry and Trade in Italy, Some Preliminary Results* (B. Barbers); *Problems of E.P.U. and Italian Commercial Policy* (G. Carli); *The Italian Economy, Growth Factors and Bottlenecks* (B. Foa). Quarterly Review, Banca Nazionale del Lavoro, Rome, December 1953. (527)

**Japan's Industry:** *The Prospect of the Industrial Situation*, Fuji Bank Bulletin, Tokyo, Volume IV, No. 4, 1954. A detailed survey of every department of industrial production and prospects, in six sections: (1) Metals and Mining; (2) Machinery; (3) Transport and Shipbuilding; (4) Textiles; (5) Provisions; (6) Chemicals and others. (528)

**U.K. Agriculture:** *The Taxpayers' Gamble on the Agricultural Market*, by H. Frankel, Westminster Bank Review, London, May 1954. Another example of the admirable work of the Agricultural Economics Research Institute, University of Oxford. (529)

**U.S.A. Capital Position:** *Domestic Production and Foreign Trade—The American Capital Position Re-examined*, by Professor Wassily Leontief (Harvard), *Economia Internazionale*, Genoa, February 1954. A lengthy and important study of the input-output variety, which is part of the systematic analysis of Structure of the American Economy conducted by the Harvard Economic Research Project. (530)

**U.S.A. Capital Outlay:** *Capital Outlays and Security Offerings* (1947-53), Federal Reserve Bulletin, Washington, April 1954. (531)

## CONTENTS

Credit Policy Variation and Imbalance.....	Roy Harrod	337
U.S.A. Charged with Marking Time on Liberalisation.....	Raymond Vernon	339
Persistent Income Disparities in France.....	Georges Rottier	341
Schuman's First Year.....	J. Driscoll	345
Countervailing Power in Backward Areas.....	Hla Myint	349
Economic Development with Unlimited Labour.....	Professor W. A. Lewis	353
Enough Houses in Britain by 1959?.....	D. N. Chester	354
U.S. Agricultural Price Policy.....	Professor D. Gale Johnson	357
Good Prospects for Monetary Rehabilitation.....	Bank for Intl. Settlements	359
Cheaper Wheat—The Consequences.....	L. St. Clare Grendena	363
U.S.S.R. Budget: Where the Money Goes.....	A. Birman	366
Korea Self-Sufficient in Five Years.....	U.N.K.R.A.	367
Progress Report on Middle East.....	U.N. World Economic Report	369
Imperial Preference Assessed.....	Sir Donald MacDougall and R. Hutt	373
Relation Between Population and Food.....	Professor B. S. Agarwala	374
Machines on the Farm.....	W. H. Cashmore	376
Turkish Hazelnut Production.....	News from Turkey	378
Still More Bilateral Agreements.....	G.A.T.T.	379
New Books Reviewed.....		382
For Reference.....		384

## Credit Policy Variation in Relation to Internal and External Imbalance

BY ROY HARROD (OXFORD UNIVERSITY)

We are now approaching by cautious stages a period of great decisions, including those concerning the convertibility of sterling. We must not regard the establishment of convertibility in isolation, but also frame some notion of the new pattern of things that we hope to see realised in the following period.

The interest rate question has a close connection with the proposal to have more flexible exchange rates. It is important to notice that we have here *rizal* methods of coping with short-period disturbances in the balance of payments, whether due to seasonal or chance causes, or to the first impact of a recession. For the Bank Rate weapon cannot work unless a lower limit to the foreign exchange rate is rigidly fixed. We are concerned here, of course, only with means of tiding over short-period disequilibria; neither method can be expected to see the country through a protracted recession in the outer world.

I believe that the Bank Rate method of coping with short-period disequilibria would fit in better with the world-wide pattern of currency arrangements as it may develop in what we hope will be a period of greater order ahead.

If it is to be used, then we have to reject too great a widening of the

limits within which the foreign exchange rate is officially permitted to fluctuate. We certainly have to reject the notion of a 'freely floating' pound.

Now the minds of many will at first react strongly against the idea of reviving the Bank Rate mechanism. Whatever is decided, it is important that the decision should represent a national policy of a bi-partisan character. We aim at a durable arrangement. Therefore many points of view must be taken into account.

There are old memories of a deflationary policy being introduced at times when it tended to intensify domestic unemployment.

It is true that there has recently been a change of opinion—not unchallenged in certain quarters—favourable to a flexible Bank Rate policy. But this change of opinion and this difference of opinion relate to an entirely different matter to the one here under discussion, namely to the use of a tight credit policy to check any tendency towards internal inflation.

This was out of vogue after the war; it has recently come into vogue again, and, although there are certain murmurs, there is no really strong opposition to the view that a tight credit policy is quite a sensible

*From Towards a New Pattern, Financial Times, London, July 5, 1954*

method of checking internal inflation, and that it should be used again, if there is a recurrence of the disease.

The use of a tight credit policy solely to correct an *external* imbalance is an altogether different matter. The situation might arise when there was no internal inflation and indeed when conditions were getting depressed. For instance a world-wide recession might have the double effect on Britain of creating unemployment and putting her external balance wrong.

It would be almost universally agreed that the method of deflation and tight credit was an utterly unsuitable one for dealing with such a situation, on the ground that it would tend to intensify internal depression. No pundits now, not the Bank of England or anyone else, could persuade the public to accept a deflationist policy at a time when unemployment was increasing, merely on the ground that it was needed to correct an external balance. There must be a quite clear understanding about that. At first sight this might seem to tend towards a rejection of the use of the Bank Rate for correcting an external imbalance.

### Keynes v. Montagu Norman

But it is necessary to examine the matter more carefully. And it is appropriate to recall the views of Keynes, whose thinking has had such a profound influence in regard to all these matters.

In 1931 he had his classic debate with Montagu Norman at the Macmillan Committee. Keynes pressed the view that it should be possible to continue to use interest rate policy as a delicate mechanism for adjusting external payments (short-term capital movements) while simultaneously

having a different policy for the internal situation.

It should be possible, he argued, to maintain in appropriate circumstances a relatively high rate of interest for influencing international payments, while having easy credit for business at home. Such a combination would be appropriate to a recession.

This proposal met with an absolute and repeated negative from Montagu Norman. He held that it would be altogether impossible to discriminate between external and internal policy in the way proposed. Speaking with the full authority of Governor, he carried weight.

But much has happened since 1931. Would the authorities subscribe to Montagu Norman's verdict today? Is it not possible to revive Keynes's idea? Could we not indeed have a policy for shaping short-term interest rates to produce the right effect on the external balance, while screening the internal economy from the effects of high short-term rates at times when an internal disinflationary policy was inappropriate?

### Other Weapons

Economists have come to doubt if high short-term rates do have a strong influence on the level of internal fixed capital investment. As regards inventories there will not be much tendency to increase orders in a time of falling prices whether short-term rates are high or low. For the thermostatic control of the internal economy greater stress is laid on other weapons. We have the idea of Budget deficits, unthinkable in 1931. It is to be hoped that the authorities have many plans for capital outlay in nationalised industries or by the local authorities, in

[Concluded on page 340]

## RANDALL COMMISSION MEMBER WARNS U.S.A.

# Marking Time on Liberalisation Road

BY RAYMOND VERNON

(FORMER ACTING DIRECTOR OF OFFICE OF ECONOMIC DEFENCE AND TRADE POLICY, AND MEMBER OF RANDALL COMMISSION)

*The writer of the following letter is the former Acting Director of the Office of Economic Defence and Trade Policy of the Department of State. He was a senior member of the staff of the Randall Commission.*

On May 20 the Administration announced its decision to put off for a year the Congressional debate on the Eisenhower trade programme.

Because the implications of the decision are so extensive they deserve more careful examination than they seem so far to have had in public print.

The other nations of the free world are now on notice that, for the time being, United States trade policy is to mark time. This notice is being served at a time when the policies of other countries are very much in a state of change or of rapid crystallisation.

### Europe Discouraged

In Great Britain and Germany, for example, the Governments in power have become convinced that the time is at hand to accelerate the dismantling of their trade and payment restrictions which are blocking the import of foreign goods.

This is a conviction which stems out of self-interest. It will not be reversed at once by the hesitations of the U.S.A. Government. But the trend will be slowed down, and the progress that does take place will occur without the common agree-

ment on both sides of the Atlantic as to methods and goals which might otherwise have been possible.

*The stage, which once was set for a steady trot towards currency convertibility and trade freedom on the part of most of Europe, can now hope to present only a hesitant amble in that direction.*

For the behaviour of some countries the implications are much more serious. France, which had rapidly been succumbing to the protection-minded elements of her body politic, now seems beyond hope of early redemption. Her protectionists will gain strength from our hesitation. And their added strength, which has contributed in the past to French vacillations on the subject of European political and economic integration, may well turn France irrevocably away from these integration movements.

### Far East and S. America

It is in the Far East and Latin America where the American trade decision offers some of its most disturbing implications. Japan had been counting heavily on American leadership this year to help it obtain entry for its goods in the principal markets of the world. For Japan this entry is a life-or-death economic issue. With the United States marking time, Yoshida will face increased pressure, both from the Communists and from his own business supporters, to develop more trade with Communist

From Letter, *New York Times*, June 6, 1954

China. Even if he does not pursue this will-o'-the-wisp, Japan will be the weaker because of heightened internal dissension.

Something like the same issue appears in various countries of Latin America. Chile, Peru and Mexico, for example, none of which has been altogether certain of the wisdom of relying further on the United States as a market and as a source of capital, will find new reasons to look elsewhere for their new economic relations.

### U.S.A. Must Lose

For the American economy itself the implications of the delay are too familiar to justify much recapitulation. In economic terms we stand to lose. For once, America needs more exports. For once, the other countries of the world seem disposed to consider with us ways of opening their markets further to American goods. But we are in no position now to

launch seriously into a study of these possibilities.

Post mortems are messy but useful affairs. The utility of this one is to suggest what has to be done if American interests are to be served. It seems clear that we cannot count on the Eisenhower trade programme this year. In that case the President's proposal for an interim one-year renewal of the Trade Agreements Act, which would allow the Administration at least to mark time with dignity, must pass this Congress without any new restrictive riders.

The few modest trade projects which are already well along in this Congress, such as the bill to simplify customs valuation, must be enacted into law. Most of all, the fine pitch of public interest in and support for the President's trade programme must be sustained for another year. If these are not accomplished, our losses—already serious—could be incalculable.

### CREDIT POLICY VARIATION

readiness against the possible onset of a recession.

We have also such weapons as the adjustment of depreciation allowances. We have had much experience of management for securing a discrimination between various rates of interest; we have had the Treasury bill rate separated from the commercial bill rate; we have had long-term rates rising while short-term rates were held at a low level, and long-term rates falling while short-term rates were held at a high level. Is it not possible that the vast and

complex experience of these kinds of management enables us to alter the verdict of Montagu Norman?

*I suggest that we should study most carefully as a possible objective a system by which short-term rates can be moved up and down in accordance with exigencies of the international balance, while the thermostatic control of the internal economy, by ease or stringency in the domestic capital market, proceeds independently.*

May this be the new pattern for the future?

(Continued from page 338)

## Persistent Income Disparities in France

BY GEORGES ROTTIER

ONE may get a first impression of the structural distortions which affect the pattern of the French economy by comparing the levels of average income in different social groups.

France's working population is divided into three main groups of roughly comparable size: farmers and farm labourers, non-agricultural wage and salary earners, and self-employed workers in industry and commerce.

The very existence of this division is important in explaining French political and social affairs, and many differences between France and Britain are better understood if one starts from this fact. What matters for us is not this division itself, but the existence of wide and lasting differences in average income between one group and another. The table gives approximate estimates of the average incomes per head of the working population of each group, in 1949.

Furthermore, although the range of incomes for wage and salary earners is not abnormally wide this is by no means true of the last two groups. The average incomes of farmers in the richer districts are

some five times greater than those in the poorer areas, and the range is at least as wide among the self-employed in industry and commerce.

There would be nothing abnormal in these disparities if they did not last. But the fact that they are lasting is a clear sign that economic rigidities permanently prevent the achievement of anything like an optimum distribution of resources in France.

### Causes of Disparities

In some cases, specific explanations can be found for these rigidities and the losses in efficiency which they induce. Together with lack of capital, the small size of holdings, often divided into widely scattered fields, is one cause of the low productivity of French agriculture. At the same time, ancestral attachment to their native district makes peasants fight shy of moving to another part of the country; as a result, unproductive land goes on being farmed when it should have been abandoned long ago, while more productive parts of the country are insufficiently farmed. (This is also due to lack of capital, which makes it difficult for young

	AGRICULTURE		
	Self-employed outside agriculture	Farmers and working members of farmers' families	Farm labourers
Working population of the group ('000) ...	3,300	4,500	1,250
Average income in 1949 (Francs '000) ...	10,150	175	125
	325		

From *The French Economic Problem*, Lloyds Bank Review, July 1954

farmers to settle in a new district.) Industry itself, which is considerably more efficient than agriculture or retail trade, has to put up with great rigidities in the geographical and functional distribution of manpower. The labour market is badly organised, facilities for adult training are inadequate and the acute housing shortage adds to the difficulties.

Specific explanations cannot, however, suffice. If French agriculture has been able to live, however poorly, while refusing to adapt itself to new conditions for more than half a century, if the profits of shopkeepers have been allowed to increase as their efficiency has decreased, some general causes must be found.

The main factors are the obstacles to economic change inherent in the protection granted by the State to some sectors and in private restrictions to competition in other sectors, combined with inflation, which France has known almost without intermission for the last fifty years. We shall deal only with State protection: except that their importance is considerable and that they are pervasive, too little is known about the form and the extent of restrictions to competition and of price agreements; too much is known everywhere about inflation for us to enlarge on the subject. It may be said that inflation has framed and distorted the outlook of French producers and entrepreneurs in the same way and to the same extent as large-scale unemployment has distorted the outlook of British producers. In the post-war years, inflation has been the main cause of the unhealthy growth of the distributive sector which has further reduced its efficiency, already low before the war. (As a result, 10 per cent more workers handled a slightly

smaller volume of trade in 1949 than in 1938.)

### Effects of Protection

Protection, internal and external, either causes or prolongs an economic distribution of resources and puts the brake on economic progress by subsidising inefficient sectors, industries or firms at the expense of the more productive parts of the economy. France has, of course, no claim to a monopoly in this field; if the reader remembers the way State-induced restrictions on competition blocked economic change in England in the 'thirties, he will better understand what follows and find himself on familiar ground.

The effects of protection are especially clear in agriculture, although they do exist in other sectors. It all began by external protection: tariff walls were raised to shelter the French farmer from the world-wide decline in farm incomes in the 'nineties. Internal protection was only added later on. This takes the form of a privileged fiscal treatment, of direct subsidies, price guarantees, State purchase of surplus crops at remunerative prices and so on. It has been estimated that in 1953 all these advantages caused a transfer of income from the rest of the economy to agriculture of approximately Fcs. 300,000 millions (Fcs. 100,000 millions in the form of tax exemptions), representing some 25 per cent of the net income of agriculture.

This lasting protection has allowed a definitely greater part of the working population to stay in agriculture than purely economic considerations could justify. The form in which protection is granted further causes distortions within agriculture itself. The price of wheat, for instance, is fixed at a level which makes it possible to

grow wheat in the most unexpected places; as a result, greatly increased earnings accrue to farmers in more productive districts, who may get up to four times as much wheat per acre for a total cost which is only slightly higher. Were it not for the guaranteed price, some 40 per cent of the whole acreage now sown in wheat would have to be turned over to other uses. Purchase by the State of certain crops, like sugar beet, takes place at a price which is so remunerative that production of these crops actually increases faster than that of other more useful crops.

All this not only results in low efficiency but in artificially high prices, which directly restrict our chances of exporting agricultural produce and indirectly hinder our competitive position in the markets for other products by pushing up wage-costs in industry.

### The Malady Spreads

This is rather a bleak picture, which has to be borne in mind when one considers the technical and economic achievements of some French industries: the efficient running of the railways, the building of hydro-electric power-stations, and so on. The contrast is actually the clue to the basic problem of the French economy. The standard of living of the French worker and the external position of the country—not only in the export field, but sometimes in the battlefield too—have been made to suffer from the low efficiency of many producers. This is being perpetuated under the elaborate protection of a maze of controls and regulations which throttle competition; and it is aggravated by inflation.

A by-product of the system is an unhealthy distribution of incomes. The marginal producer in agriculture

just manages to live, whereas more fortunate farmers enjoy swollen profits. The distortion of the price mechanism due to inflation and the working of price agreements transfer to the distributive trades a great part of the subsidies awarded to agriculture; industry is the only clear loser.

### History's Dead Hand

Curiously enough, all this does not result from stupidity or perversity. The initial cause lies in a definite, if not perfectly conscious, political choice. Economic progress is not the only aim which a society should pursue. Half a century ago, arguments could easily justify a system which aimed at the maintenance of a given social structure, even if this slowed down the growth of the economy. At that time, it was not entirely stupid to attach more weight to the advantages derived from the existence of a numerous land-owning farming community than to the price to be paid in terms of real wealth. A balanced division of the working population between industry and agriculture can make for economic stability and it is significant that no problem of large-scale unemployment has ever arisen in France; it makes for social stability as well and, together with economic progress, it keeps other revolutionary forces at bay.

Unfortunately, the choice in favour of conservation has bred conservatism in its narrowest form: the society whose structure has been thus protected has seen its political system framed in its own image, the forces of conservation being as strong on the Left as on the Right. The only trouble is that we are living in a world where the cost to the community of the choice made long ago is becoming higher and higher,

whereas its benefits have an increasingly doubtful value.

### Political Change Needed

If the foregoing analysis is correct, it is clear that a solution of the difficulties must first of all be found on the political plane. Much would be achieved in a short time if only State intervention ceased to stifle competition but aimed instead at enforcing it, and if the most wasteful transfers of resources to inefficient sectors were discontinued.

We are not qualified to assess the prospects in the political field. However, two or three facts are clear. First, the system as it now exists is near breaking point: it breeds discontent in the groups which are supposed to benefit from it and turns the losers into revolutionaries. Second, the kind of analysis we suggested, which was until recently restricted to esoteric circles of experts, is gaining an ever-increasing currency, thanks largely to the clarity of a succession of official publications. (Summarised in the latest O.E.E.C. report on Economic Conditions in France.) Lastly, this is slowly becoming reflected in Parliament, where the issue of economic progress might fairly soon prove itself one of the main lines of division, cutting across all party boundaries. Even from a short-term point of view, some optimism may very well be justified.

Pending this political change, short-term measures are possible and long-term measures can be prepared. The range of possible lines of action is very wide and there is no doubt that a little progress in many directions might bear fruit fairly quickly. Any blueprint for action would therefore fall outside the scope of this survey and of its author's competence; we shall only mention the

needs for fiscal reform and for a prolonged and heavy flow of public investment.

### Out-of-Date Privileges

The main shortcomings of the French fiscal system do not derive so much from tax evasion as from the privileged treatment granted to some groups of taxpayers. Incomes of farmers, shopkeepers and small-scale entrepreneurs are legally assessed much below their actual level (in 1951, farmers paid Fcs. 13,000 millions in income tax, whereas a group of wage-earners with the same actual income would have paid some Fcs. 90,000 millions). There is no chance of this privilege being reversed in the short run. The prospects are, however, better for indirect taxes, which account for approximately two-thirds of total tax receipts. A first and long overdue measure has just been passed to cut indirect taxes on investment goods. The introduction of wider differentials in the rate of tax on different consumption goods would be a useful addition.

Lowering the price of agricultural produce and increasing farm incomes are urgent matters, but making up for the low rate of technical progress in agriculture over the last fifty years will be no easy task and will require large amounts of capital. Much of the necessary investment will be unattractive to the capital market and will have to be provided out of public funds. Contrary to what took place in the early post-war years, the need is not so much now for a very high rate of fixed capital formation in basic industries, such as has been very successfully financed under the aegis of the Monnet Plan.

The second *Plan de Modernisation*, which is the continuation of the

[Concluded on page 348.]

## Schumania's First Year

### Survey of First Year of European Coal and Steel Community

BY J. DRISCOLL (COUNCIL OF EUROPE RESEARCH FELLOW)

1953 was the first full year during which the High Authority exercised the powers granted to it under the Schuman Treaty. What conclusions can we reach after reviewing the year's work?

Clearly, the first conclusion is that it is, as yet, much too early to form any strong view, either for or against. We are much too close to events, and too little able to pick out the permanent from the transitory, to pronounce definitely one way or the other. All the judgements which follow hold only within this broad qualification and are purely tentative.

**General.** The most impressive achievement of the Community is that it represents the first considerable check to the autarkic trend which has dominated the European economy since 1918. For the first time in thirty-five years, the barriers are being substantially reduced. Over the major part of continental Western Europe, customs duties and quantitative restrictions on the free movement of coal and steel have been abolished, currency has been made freely available for these imports and exports, discriminatory transport charges have been very largely eliminated, and some limitation of 'dual pricing' has been secured. In all, that forms an appreciable victory for the cause of economic rationality.

**Production.** In terms of production, the picture is not favourable. The

output of coal in the six countries fell from 240.4 million tons in 1952 to 236.9 million tons in 1953, or by 1.4 per cent; steel output fell from 41.8 million tons to 39.5 million tons, or by 5½ per cent, over the same period. This fall is all the more noticeable since it represents the first check to the upward curve of West European coal and steel output since 1945. In large measure, these declines reflect the general falling off in economic activity in the Community area, but it would seem that the upheavals connected with the opening of the common market exacerbated the downward trend. In the case of steel, buyers held off the market for some months both before and after May 1st in the hope of benefiting from the price reductions forecast by the more enthusiastic supporters of Schumania. Consumers ran down stocks throughout the spring and summer, encouraged by the evidence of shortening delivery dates, and buying did not resume until autumn by which time stocks were low and the expected price adjustments had come about, albeit unofficially.

**Inter-Community Trade.** The results for inter-Community trade in coal and steel are encouraging in view of the fall in total production. It is probable that the general fall in demand forced Community producers to explore the new possibilities offered by the common market rather more quickly than they would

From *Early Days in Schumania*, *Journal of Industrial Economics*, Basil Blackwell, Oxford, April 1954

## INTER-COMMUNITY SALES OF STEEL

Period	Monthly Averages	1952	1st Qtr. 1953	2nd Qtr. 1953	3rd Qtr. 1953	October 1953
Amount	'000 tons	237	282	261	232	287

have had their home demand remained high, but some aspects of the increased trade within the Community—e.g., the flow of French iron ore to Belgium, and sales of Dutch coal throughout the Community—clearly spring from the removal of artificial barriers within the common market. The position for individual products is as follows.

(i) *Steel* (see table above)

There was a sharp fall in activity between May and September, 1953, but the inter-Community trade over the first ten months of 1953 is slightly above the level for the corresponding period of 1952. It is probable that, but for the existence of the Community, the member countries would have adopted restrictive policies in face of the decline in demand and cross-frontier trade would have been much lower. The ending of transport discrimination on German railways has been followed by a sharp increase in sales from Lorraine and Saar mills in Western Germany:

(iv) *Coal* (see table below)

## INTER-COMMUNITY TRADE IN COAL. 1ST 11 MONTHS, 1952, 1953. '000 TONS

Country of Destination	W. Germany		France		Belgium	
	1952	1953	1952	1953	1952	1953
W. Germany	—	—	3309	3542	17	102
France	3101	3174	264	216	904	1277
Belgo-Luxembourg	350	601	4	84	46*	11*
Holland	1615	1884	157	421	435	753
Italy	2486	2801	—	495	495	710
Totals	7552	8460	3734	4263	1897	2853

Note: \*Luxembourg only.

The table shows substantial increases in almost all instances. The increase of one-third in Belgian sales is especially noticeable. Total inter-Community deliveries in January-November, 1953, rose by about 3 million tons (20 per cent), as compared with the same months in 1952, and this has made possible a reduction in imports of American coal from 16.4 million tons to 6 million tons in these same two periods.

*Pricing Policy.* It is in this field that the Community has been least successful. The pricing system instituted for steel has proved to be cumbersome and paper-ridden, and has been substantially ignored by producers and consumers. Secret undercutting of the firms' published price lists has been widespread and the High Authority has failed to secure observance of its non-discrimination principles.

These difficulties have been tacitly acknowledged by the issue of new pricing rules on January 13th. These allow firms to adjust their prices to day-to-day market fluctuations without amending their published price lists. But the variation for each product group between the average realised price and the average published price over a 60 day period may not exceed 2½ per cent of the published basis price, and discrimination between comparable transactions is still expressly forbidden. It is clearly the intention of the High Authority to do no more than to introduce a small margin of flexibility into the previously over-rigid pricing arrangements.

But good intentions may be abused. Under the previous pricing system, abuse was easy to define. It meant simply departing from the published price list. Under the new system, however, a producer's prices are

expressly permitted to vary according to market conditions. Moreover, no limit is imposed on the amount of any particular deviation from the published price: the 2½ per cent limitation is applied only to the average deviation over a 60 day period. Thus the detection of discrimination becomes a matter of collecting elaborate records of transactions, and then of applying personal judgments, rather than precise rules, to the facts revealed. In order to operate the new system, the High Authority has had to call for fortnightly returns of transactions from all producers, showing not only the average divergence from the published price, but also the maximum and minimum divergence, including details of the order, the tonnage, the country of domicile of the client, and so on. How far, how very far, is all of this from a free market system. Whatever the intentions of the High Authority, the new regulations seem at very least to open up possibilities of discrimination, contrary to the express purpose of the Treaty: and if those loop-holes are to be plugged, the High Authority will have to operate an extensive system of returns, spot-checks, inspectors, and the rest, equally contrary to the express spirit of the Treaty. Time alone will tell whether the High Authority has introduced a little flexibility into its pricing system or opened the way to its destruction.

The 'alignment' provisions have worked particularly badly. Producers have utilised these concessions in order to invade other firms' spheres of influence only very rarely, and the desired shift of orders to low cost producers has not, therefore, come about. Indeed, the alignment rules have been used—or rather, abused—mainly by consumers who,



threatening to transfer to other firms who might possibly be induced to make an aligned offer, have been able to force price concessions from their regular suppliers.

*Investment.* Progress in the development of investment policies has been slow. The Community has been concerned mainly to build up its credit worthiness, on the basis of its income from the levy on producers, and little concrete action has been taken. Once actual allocations of funds begin, great tensions may arise between member States. Everyone involved is acutely aware of the political issues involved. If the High Authority is able to insist that finance should be allocated on purely economic grounds, so as to concentrate production in the most efficient mines and works irrespective of their nationality, the supra-national nature of the Community will be strikingly confirmed. If, on the other hand, substantial concessions have to be made to purely national claims, the Community will have stumbled at its first fence. The High Authority in its report of January, 1954, has stated that it 'does not aim to allocate its financial assistance *a priori* according to a rigid plan or a detailed programme, *even less on a national basis*'. (My italics.) Yet

already even moderate French and German spokesmen have been putting forward exaggerated investment projects so as to establish bargaining positions, while the outright opponents of the Community see in rumours such as, 'all investment funds will go to the Ruhr', a fruitful opening for an appeal to national fears. It will be interesting to see if the High Authority can maintain a balance between the economic and the political viability of its investment programme.

*Foreign Trade.* On the control of the Community's foreign trade, the first issue on which the High Authority's power has been challenged, it has suffered a clear defeat. Though the battle may well be joined again later, the first round has undoubtedly gone to the European Steel Export Cartel. This defeat may well have important internal repercussions. The fact that some producers have been prepared to fight the High Authority and have succeeded in their defiance cannot fail to influence others. The High Authority would seem to have been extremely ill-advised to lay itself open to such a blow to its prestige on an issue which was not of the first moment and on which its constitutional power was ill-defined.

### Persistent Income Disparities in France (From page 344)

Monnet Plan, rightly puts the stress on agriculture. Finance is needed for the resettlement of farmers in new districts, for a great extension of vocational training, for a regrouping in compact plots of the land of many farms, for the organisation of the marketing of produce, both at home and abroad. Similar efforts, pervasive but unspectacular, are planned

The short-term economic situation is favourable to the launching of these projects; there are signs that the will to achieve them will be forthcoming. The only major unknown is the future weight of our overseas commitments.

## Development of Countervailing Power in Backward Areas

BY HLA MYINT (OXFORD)

ONE of the most interesting developments in the long-run theory of economic development is Professor Schumpeter's well-known argument that the growth of monopoly, which from a static view would result in a maldistribution of resources, might favour technical innovations and economic development (J. Schumpeter, *Capitalism, Socialism and Democracy*, chs. vii and viii).

We have already seen a parallel case of this argument when we were led to the conclusion that monopoly was an essential element in the 'opening-up' process of the backward countries to international trade. The question then arises: can the Schumpeter argument be extended to the backward countries or is there a fundamental difference in the operation of monopoly in the backward countries as compared with the advanced countries?

Recently Professor J. K. Galbraith has put forward a theory which seems to provide a part of the answer. He maintains that the growth of monopoly in the advanced countries, particularly in the U.S.A., has been accompanied by a growth of 'countervailing power' on the opposite side of the market, e.g. trade unions, retail chain stores, co-operative societies, farmers' union, etc. The growth of monopoly increases the gains from building up the countervailing power and induces its growth and this provides a new self-regulatory mechanism to the economy in a world of monopoly (J. K. Galbraith,

*American Capitalism, 'The Concept of Countervailing Power'*).

In Professor Galbraith's terminology, then, economic backwardness may be described as a phenomenon which arises because the process of 'economic development' has been too rapid and the initial conditions too unfavourable to give rise to an effective 'countervailing power' to check the 'foreign economic domination' of the backward peoples. One remarkable thing about Professor Galbraith's argument is that although he is concerned with the economically most advanced country in the world, the U.S.A., the sectors of the economy which he regards as being particularly in need of the countervailing power—agriculture, consumers' goods market, and the labour market—are exactly paralleled in the backward countries with their export-import monopolies and large-scale mining and plantation businesses.

### Development and Equality

Now if we were merely concerned with the problem of backwardness in its subjective aspect as the economics of discontent it would be sufficient to show how the working of the disequalising factors set up by the 'free play of economic forces in the absence of countervailing power has resulted in the present situation. But we must go on to the other side of the problem and investigate the relation between the disequalising factors and economic stagnation or

*From An Interpretation of Economic Backwardness, Oxford Economic Papers, June 1954*



the slow rate of growth in total output and economic activity (apart from the unfavourable effects of political and social unrests, both on present production and future investment).

Here, as we have noted above, we must be on guard against the convenient supposition that the requirements of economic equality and economic development always work in the same direction. Bearing this in mind, when we consider the typical process of 'economic development' of most backward countries there seem to be *prima facie* reasons for thinking that the disqualifying factors have affected not merely the distribution but also the rate of growth in the total volume of output and economic activity.

The fundamental assumption of liberal economics is that the free play of economic forces would lead to the maximum development of individual talents and abilities; whereas in practice the free play of economic forces in backward countries has resulted, not in a division of labour according to individual abilities, but in a division of labour according to stratified groups. The accurate selection of the different types and qualities of natural resources by the automatic market mechanism contrasts dramatically with its lack of selectivity concerning human resources which has resulted in the 'fossilisation' of the backward peoples in their conventional roles of underdeveloped cheap labour and unspecialised peasant producers.

Thus, unless we are prepared to subscribe to the doctrine of inherent racial inferiority of the backward peoples, there seems to be a strong presumption that the potential development of the backward countries has been inhibited by this waste of

human resources, leading to a stultification of the possible 'growing-points' of the economy. Nor can the loss of educational opportunities be adequately remedied by 'investment in human capital' as is frequently assumed. Mere increase of expenditure on technical training and education, although it may offer a partial relief, is really too weak and unselective to be an active countervailing force to the deep-seated disqualifying factors. Too great an emphasis on the 'under-investment in human capital' therefore tends to confuse the issues and distract attention from the more potent disqualifying factors.

Further, the disqualifying factors work not only on the supply side but also on the demand side, and unequal distribution of incomes and of activities combine with each other to inhibit economic development. *One of the most important reasons why the backward countries have been prevented from enjoying the stimulating effect of manufacturing industry is not the wickedness of foreign capitalists and their exclusive concern with raw material supplies but merely the limitation of the domestic market for manufactured articles* (cf. Ragnar Nurkse, *Some Aspects of Capital Accumulation in Underdeveloped Countries*, First Lecture).

### Old Problem: New Label

When we were discussing the concept of 'social productivity', we remarked on the tendency of economic practice to forestall economic theory. So also here, with the concept of 'countervailing power'.

Long before the economists were aware of the problem, practical administrators and economic historians of the backward countries were impressed by the fact that the peoples of these countries seem to need some sort of countervailing

power to enable them to stand up against the 'free play of economic forces'. Some have sought the countervailing power in the preservation of the traditional social institutions and, in extreme cases, have even toyed with the idea of a retreat into the self-sufficiency of the traditional stationary state. Others, more forward-looking, have tried to foster countervailing power in the form of co-operative societies and, more recently, by means of trade unions and marketing boards for the peasant produce. Above all this, the disqualifying forces themselves have generated a fierce nationalism among the backward peoples which is the most powerful source of countervailing power in the present times. So we are already in a position to learn a few lessons about the nature and limitations of the countervailing power in the backward countries.

### Lessons from Experience

The first lesson is that some sources of countervailing power, like the co-operative societies, themselves need a fairly high degree of business-like behaviour and 'economic advance' and can only be fostered very slowly in the backward countries.

The second lesson is that it is easier to redistribute existing incomes than to redistribute and stimulate economic activity by the use of countervailing power. The governments of some backward countries are now able to obtain a larger share of the income from the exploitation of the natural resources, either by striking better bargains with foreign mining concerns or by means of marketing boards in the case of peasant produce; but they are still faced with the problem of reinvesting the money in a directly productive way

24

*It is important to stress this point because the governments of the backward countries, in their desire to have rapid and spectacular economic development, may be tempted to embark on those large-scale projects which, even if they were successful as business concerns, might not appreciably increase the participation of their peoples in the new economic activities. In some countries excessive central planning may give rise to a new class of 'middlemen' in the guise of government agents or officials. Apart from its failure as a business concern, the fundamental weakness of the famous 'Ground Nut Scheme' of the British Overseas Food Corporation was that in an attempt to have rapid results on a large scale the Corporation was obliged to minimise the African participation in it.*

The final lesson to be learnt is the danger of an excessive use of the countervailing power combined with an extreme economic nationalism. As a counter-measure to the disqualifying forces at the international level, discriminatory and protective measures to change the existing terms of comparative costs and foster the national economies of the backward countries have their place. In certain circumstances, they may even have a favourable effect on the volume of international trade in the long run.

But, on the other hand, the dangers of an excessive nationalist policy should not be underrated. The loss to the backward countries in this

case is not merely consumers' loss through having to pay a higher price or through having to put up with poorer qualities of commodities substituted for imports; a far heavier loss may lie in the sphere of economic activities when cut off from the stimulating contact with the outside world. This is also true of trade unions. In some backward countries trade unions have the very important function of breaking the industrial colour bar; but in others they may become a crippling burden on the economy and inhibit economic progress (cf. *Report on Cuba*, by the Economic and Technical Mission of the International Bank for Reconstruction and Development, pp. 138-59).

#### Need for Understanding

These considerations should not, however, blind us to the genuineness of the disqualifying factors working

against the backward peoples and their real need for countervailing power. From the point of view of these peoples this is where the real rub lies. It is, however, precisely on this point that economists, both of liberal and of central-planning persuasion, have shown the least sympathy and understanding. The liberal economist is apt to believe that the disqualifying factors do not exist and that all attempts to use the countervailing power are the result of 'irrational economic nationalism'. The central planner is apt to seek a solution of the essentially distributive and structural problems of economic backwardness in terms of bigger and better aggregative economic development plans. Thus the study of the disqualifying factors at work against the backward peoples has never really been allowed to emerge from the intellectual underworld of extreme economic nationalism.

#### ECONOMIC DEVELOPMENT (continued from opposite page)

12. The export of capital reduces capital formation at home, and so keeps wages down. This is offset if the capital export cheapens the things which workers import, or raises wage costs in competing countries. But it is aggravated if the capital export raises the cost of imports or reduces costs in competing countries.

13. The importation of foreign capital does not raise real wages in countries which have surplus labour, unless the capital results in increased productivity in the commodities which they produce for their own consumption.

14. The main reason why tropical

commercial produce is so cheap, in terms of the standard of living it affords, is the inefficiency of tropical food production per man. Practically all the benefit of increasing efficiency in export industries goes to the foreign consumer; whereas raising efficiency in subsistence food production would automatically make commercial produce dearer.

15. The Law of Comparative Costs is just as valid in countries with surplus labour as it is in others. But whereas in the latter it is a valid foundation of arguments for free trade, in the former it is an equally valid foundation of arguments for protection.

## Economic Development with Unlimited Supplies of Labour

BY PROFESSOR W. ARTHUR LEWIS (MANCHESTER UNIVERSITY)

*We give below the author's own summary of a valuable study of economic principles in relation to underdeveloped areas. The entire article, running to some 20,000 words, deserves careful study.*

1. In many economies an unlimited supply of labour is available at a subsistence wage. This was the classical model. The neo-classical model (including the Keynesian) when applied to such economies gives erroneous results.

2. The main sources from which workers come as economic development proceeds are subsistence agriculture, casual labour, petty trade, domestic service, wives and daughters in the household, and the increase of population. In most but not all of these sectors, if the country is overpopulated relatively to its natural resources, the marginal productivity of labour is negligible, zero, or even negative.

3. The subsistence wage at which this surplus labour is available for employment may be determined by a conventional view of the minimum required for subsistence; or it may be equal to the average product per man in subsistence agriculture, plus a margin.

4. In such an economy employment expands in a capitalist sector as capital formation occurs.

5. Capital formation and technical progress result not in raising wages, but in raising the share of profits in the national income.

6. The reason why savings are low

in an undeveloped economy relatively to national income is not that the people are poor, but that capitalist profits are low relatively to national income. As the capitalist sector expands, profits grow relatively, and an increasing proportion of national income is re-invested.

7. Capital is formed not only out of profits but also out of credit creation. The real cost of capital created by inflation is zero in this model, and this capital is just as useful as what is created in more respectable fashion (i.e. out of profits).

8. Inflation for the purpose of getting hold of resources for war may be cumulative; but inflation for the purpose of creating productive capital is self-destructive. Prices rise as the capital is created, and fall again as its output reaches the market.

9. The capitalist sector cannot expand in these ways indefinitely, since capital accumulation can proceed faster than population can grow. When the surplus is exhausted, wages begin to rise above the subsistence level.

10. The country is still, however, surrounded by other countries which have surplus labour. Accordingly as soon as its wages begin to rise, mass immigration and the export of capital operate to check the rise.

11. Mass immigration of unskilled labour might even raise output per head, but its effect would be to keep wages in all countries near the subsistence level of the poorest countries.

[concluded opposite

From *Economic Development with Unlimited Supplies of Labour*, Manchester School, May 1954 (University of Manchester, Manchester 13. 5/-)

## Enough Houses in Britain by 1959?

BY D. N. CHESTER (OXFORD UNIVERSITY)

DURING the five years 1935-39 some 1,800,000 new houses and flats were built in Great Britain of which 76 per cent were provided for private ownership. Some of the local authority houses, however, were built without the aid of a subsidy and thus altogether over 80 per cent of houses and flats built in those five years were unsubsidised. In marked contrast, from April 1, 1945, to the end of 1953, out of 1,530,000 new permanent houses and flats provided, all but 16 per cent have been provided for local authority or other State-aided public ownership.

### Subsidies

This difference has several important consequences. First, it means a much greater cost to the taxpayer and the ratepayer. The present subsidy (national and local) is £35 12s. per house per annum, so that each year adds a further £6m. to the total public expenditure. Moreover, as the subsidy is payable for each year of the estimated life of the house (60 years), it is cumulative. The Civil Estimates for 1954-55 include £52m. for Exchequer subsidies to permanent houses, and to this must be added the extra sums paid out of local rates. If current policy continues the Chancellor of 1961 will have to provide about double that amount.

Second, there is the effect on the character of the community. In some towns already a very high proportion of the population are tenants of municipal houses. When the large number of mid-nineteenth-century

working-class houses in these areas are replaced by new houses or taken over by the municipality, under the present Housing (Repairs and Rents) Bill, it will be nearer the exception than the rule to live either in one's own house or in a house privately owned. This is hardly a move in the direction of a property-owning democracy.

Politics apart, this is bound to raise problems. There is a large pressure group heavily subsidised by the rest of the community without regard to relative incomes. There is the dependence on one landlord in each locality who will have almost a monopoly. There is the possibility that demand for housing will be distorted and swollen. This brings me to my third point—the effect on the number and kind of houses demanded.

### Low and High Costs

The large-scale unsubsidised housing development of the 1930's was made possible by the low cost of private house purchase following the combined effect of a marked fall both in construction costs and in the rate of interest. Notwithstanding large-scale unemployment and relatively low wages there were a substantial number of people, including the better-off working classes in regular employment, for whom house-ownership was attractive and feasible. Thus the subsidies of the '20s gave way to the private ownership of the '30s.

The circumstances at the moment are quite different. Building costs are

*From Annual Review of British Industry, 1954, Financial Times, London, July 1954*

high and are most unlikely to show any major decline unless there is a break in the general price level and a much easier employment situation. The capital cost of a new house is probably around four times its pre-war level, whereas earnings in many occupations are only twice or at most three times the 1938-39 level. Moreover, the possibilities of cheap and plentiful private housing on any scale are restricted in many urban areas by the absence of sites of sufficient size—the Local Authority having pre-empted all the best large sites.

### Home Ownership

In contrast to the difficulties of private house ownership there is the apparent attractiveness of subsidised municipal housing. The subsidy opens a wide gap between renting and owning, and a much larger number of newly-weds look automatically and unashamedly to the municipality to provide them with the house of their dreams. True, the number of houses built for sale (and without cost to the taxpayer) has risen during 1953—being 63,000, as against 34,000 in 1952. But as a percentage of the total of new houses constructed the increased figure loses some of its significance—being 19.7 per cent, as against 14.3 per cent.

*The fact is that the Labour Party seems to have adopted the position that as few as possible should be given the opportunity to live in unsubsidised houses until all who want to live in small subsidised houses have been satisfied. And the Conservative Party has not found it politically feasible to adopt a radically different line.* Mr Macmillan has, however, expressed the hope recently that some 80,000 or more of this year's new houses will be unsubsidised.

Only a drastic reduction in capital costs or in the gap in weekly costs between private and subsidised

housing is likely to produce a significant change of attitude. The latter could be achieved either by a reduction in the subsidy per house or by a new subsidy given to private owners. (A reduction in the State subsidy has now been announced.—Editor, E.D.)

Mr Macmillan has tried to meet this situation by encouraging the sale of pre-war municipal houses and by his very recent move to improve the terms for private house purchase on mortgage. His present Bill, particularly the part dealing with the improvement of existing private houses, should do something to maintain the stock of the best of such houses. However, the current situation strongly favours a demand for subsidised housing, even on the part of those who would appear to have the means to pay the true rent.

There is, moreover, a lower level of subsidised housing—the great mass of rent-restricted property—only in this case the subsidy is given by a private owner and not by the State. Though this is cheap housing it is usually not modern nor in a good state of repair. Nevertheless, there are large numbers who prefer cheap to modern housing.

### Slum Clearance

In the first instance, therefore, the main pressure even for subsidised new housing must come from those living in rooms or sharing a house, and once this demand is fully satisfied there may well be increasing resistance created by the gap in weekly rents between rent-restricted old and subsidised modern houses.

Mr Macmillan's Repairs and Rents Bill is a step in the right direction. But the rent increase allowed is not sufficient to narrow materially the gap between old and new houses, and in most cases any

possible increase in the demand for new subsidised housing may well be offset by the improvement in the condition and amenities of the old houses.

The slum clearance campaign, however, is likely to emphasise the general trend. People compulsorily turned out of low-rent houses are not likely to be willing to pay a much higher rent, especially as their general expenses of living (for example, cost of travel) may well be increased by the enforced removal. Slum clearance is, therefore, likely at least to maintain, if not increase, the subsidised housing programme. A possibly important factor operating in the opposite direction is the desire of a good many to live in 'something better' than on a municipal estate.

I have on earlier occasions hazarded a guess at the future demand for housing, but I now feel less confident, partly because the effect of a heavily subsidised demand is not easy to forecast. The gap of 1.2m. between the number of families and the number of houses shown by the Census of April, 1951, should, at current output, be closed during the second half of 1955. In many areas I still believe this will prove to be true, excluding, however, houses needed to replace those compulsorily pulled down as slums. But two factors may falsify the figures.

On the one hand there are undoubtedly quite a number of houses being pulled down or falling out of use. The increase of 320,000 houses per annum is a gross figure and the net addition may be nearer 250,000. As however, most of these 'losses' are likely to be old or slum houses, it means that the number to be dealt with at stage two, that is, after a house per family has been

provided, will be correspondingly less.

#### Present Rents

On the other hand, many people who, under pre-war conditions, would have given up their house, gone into rooms, shared a house, or moved into a smaller house, are encouraged by present rents to remain in full possession of their house. In other words, the number of potential house occupiers may be rising more markedly than pre-war experience may indicate. Even so, Professor Ford, in his recent valuable booklet, *Housing Targets*, has estimated that 2½m. extra houses over the number at April, 1951, would provide all possible 'families' up to the year 1961 with separate accommodation. At current output this 'requirement' will be met by 1959-60. To this must be added the replacement of slum clearance—1½-2m. houses—or anybody's guess.

Decisions on housing policy are still largely obsessed by the overwhelming feeling that numbers and speed are the only real considerations. There has been little or no discussion of what the situation will be like in, say, five years' time. Yet two, possibly three or even more, years is the normal period between the first decision to build and the occupation of a house. The houses built as a result of decisions made during 1954 and 1955 will be becoming available in a rather different housing situation. If my view is right, that the great bulk of the housing demand will be met in seven or, at most, ten years' time, it is clear that the decisions made during the next three or four years represent almost our last chances. Are they being made with an eye too much on current circumstances or is anybody looking further ahead?

## U.S. Agricultural Price Policy

### Impact at Home and on International Trade

BY PROFESSOR D. GALE JOHNSON (CHICAGO UNIVERSITY)

THE United States price support and related programmes can be appraised from several different viewpoints.

Let us first consider what the American consumer and taxpayer obtained for the \$13,000 million of tax funds spent on various farm programmes related to the price support operations from mid-1933 through mid-1952. Approximately \$9,400 millions of the total were in the form of direct payments to farmers, while the remainder was the losses on price support operations, domestic subsidies (school lunch programme and food stamp plan, for example) and export subsidies. On the basis of fairly extreme assumptions about demand and assuming a zero elasticity of supply, total expenditure upon farm products over the period 1933-52 was increased by approximately \$12,000 million. Thus the total cost to consumers and taxpayers might be set at a maximum of \$25,000 million.

But this is only a part of the story, and perhaps only a minor part. Contrary to original expectations, the overall effects of the farm programmes, including price supports, were to increase farm output, and more importantly, to increase output per unit of input. Between 1925-29 and 1949-53, total farm output increased by 46 per cent and output per unit of input rose 39 per cent.

There are several reasons for attributing at least part of the

increase in technical efficiency (the rise in the ratio of output to input) to the farm programmes. For one thing, where attempts were made to restrict the output of farm products by rationing land, farmers tried out methods of substituting other inputs for land and discovered that these methods of production were profitable even when the land input was not rationed. In addition, most of American agriculture was short on capital by the mid-thirties as a consequence of disinvestment during the first part of the decade. The rate of investment in agriculture was increased sharply in the late thirties, in part because of the large direct payments to farmers. Certain of the farm programmes, particularly the soil conservation efforts, constituted a large-scale extension or education programme, with a feature that other educational activities lacked—namely, money to give to farmers. Finally, price supports by reducing uncertainty undoubtedly acted to induce farmers to try out new methods of production and to expend more on current inputs requiring cash expenditures.

If a fifth of the increase in the ratio of output to input were attributable to the farm price support and related programmes and the same quantities of farm resources had been used during each of the years, the farm output forthcoming over the period in the absence of such programmes would have been about 4 per cent

*From Department of Economics, Princeton University, New Jersey, U.S.A. (Essays in International Finance, No. 19, June 1954)*

interested parties never failed to predict, has increased the monetary and economic strength of the countries concerned; and there are few countries today which are not prepared to join in the common effort.

### International Co-operation

To improve and maintain the health of its internal economy is primarily a matter for each individual country, but there is also a definite need for co-operation in the international sphere. If a number of countries move forward side by side towards the goal of convertibility, freedom of trade and payments would be established over an even wider field, and many strains and stresses would be mitigated by the very extension of the area of liberty. Sometimes in the past the need for concerted action appears to have been cited as a reason for delay, but now that a sufficient number of countries are determined to go ahead with practical measures co-ordination of policy should lead to a general

increase in strength and thus make it easier for the individual countries to take part in a common action.

Convertibility still remains the most effective and flexible form of integration in the relations of the European countries with one another and vis-à-vis the rest of the world. The momentum of the movement towards convertibility has not been lost; only dire political emergencies would now be capable of arresting its advance. For this movement is impelled not only by the interests of the individual countries, anxious to consolidate their post-war recovery, but also by the transcending—and no less real—interest of all countries in establishing between themselves the elastic but strongly-knit bond provided by a system of convertible currencies.

*[It is intended to print further extracts from this—as usual—admirable report in the next number of Economic Digest.—EDITOR.]*

### U.S. AGRICULTURAL PRICE POLICY (continued from page 358)

additional funds for export subsidies that is maintaining wheat at its present price in world markets, but it is also our present high support price that is preventing our wheat producers from reducing output. The latter consequence may well lead to lower world wheat prices in the future, if an attempt is made to liquidate our stocks. (It has now done so, of course.—EDITOR, E.D.)

Producers of dairy products in other countries have probably not been favourably impressed by our dairy support prices and the attendant restrictions on imports. It is doubtful, however, if much imported butter would be sold in the domestic market if we had no price supports

## Cheaper Wheat—The Consequences

BY L. ST CLARE GRONDONA

THE price of wheat is probably the most significant factor in the national economies of all European peoples—and is an increasingly important influence in Asian economies.

It is not only the cost of bread which is at stake. The prices of all other grains—barley, oats, rye, rice, maize and sorghum—are closely allied to wheat costs. So are those of peas and beans and of the residues of nuts and seeds from which oil has been extracted.

Excepting only rice, all these—with the wheat offals, bran and pollard—are the concentrated feeding-stuffs for livestock. With these cheaper, the output of dairy and poultry products, pork and bacon and certain other meats would greatly increase—with substantially reduced selling prices.

### Big Carry-over

While it is naturally disturbing to growers that wheat prices should recently have fallen—with further reductions in prospect—this is extremely good news for the 50m. people of the United Kingdom.

To get the present situation into focus, it is essential to recall the events in the wheat world since 1949, when the four-year International Wheat Agreement was signed. The parties to that Agreement were the United States, Canada, Australia, Uruguay (which withdrew after one year) and France, as 'exporters', and 37 (subsequently increased to 41) countries which were 'importers'.

Total exports under the Agreement were to be 456m. bushels, later

increased to 580m. bushels. The importers undertook to purchase specified quantities, of which the United Kingdom would take 177m. bushels, Italy 40m., and India 38m. bushels. All agreed to pay, at port of shipment, at least \$1.50 per bushel, and this sum decreased by 10 cents a year in the following three years.

A carry-over of wheat by the exporters of 196.4m. bushels in July, 1947, had been followed by one of 436.6m. in 1948, and it was expected when the Agreement was signed that there would be a further increase as at July, 1949.

It was then clearly the intention that, if this grain continued to be in super-abundant supply in the ensuing four seasons, its price should be permitted to decline in orderly fashion by not more than 10 cents a bushel, per annum, down to \$1.20 in 1953 when the situation would be reviewed. For their part, the exporters agreed that the maximum (I.W.A.) price should not exceed \$1.80 throughout the four years.

A series of bountiful harvests followed with carry-overs continuing to increase to nearly 1,000m. bushels in August, 1953. Yet far from there being any reduction in price, this remained constantly at \$1.80 throughout.

### U.S. Subsidies

This setting at naught of the law of supply and demand was due mainly to the fact that the United States Commodity Credit Corporation (C.C.C.) stood ready to buy American wheat at prices higher

*From Daily Telegraph, London, June 25, 1954*

than the I.W.A. maximum by 19 cents in 1949-50, by 38 cents in 1950-51, by 40 cents in 1951-52, and by 41 cents in 1952-53.

Taking full advantage of this extraordinary benevolence in their favour, United States growers, by selling their surpluses to the C.C.C., contrived to keep American market prices at much higher than C.C.C. levels.

The result was that, to fulfil the United States' commitment to I.W.A. importers, the United States Exchequer had to pay growers the difference between the high 'open' market prices (from time to time) and \$1.80; and in one year this was 69 cents a bushel—to aggregate \$174m.

It was an extraordinary situation. The more wheat the American growers produced the dearer it became to American consumers, because they had to pay in taxation for all that went into the C.C.C. as well as for the wheat they consumed; and on top of that they had to subsidise, by over half a dollar, every bushel sold under I.W.A. contract.

To the extent that the Americans paid the price for this peculiar state of affairs it was their own concern. But unfortunately the effects, extending far beyond the United States' domestic sphere, were detrimental to the economies of all wheat-importing countries.

#### U.K. Withdrawals

When the I.W.A. came up for review early in 1953, the Americans demanded a maximum of \$2.25 per bushel under a new Agreement, to take effect from Aug. 1. Britain's offer of \$2.05 having been refused, she courageously and wisely declined to be a party to the new Agreement

—a decision which has since proved disconcerting to the three chief exporters.

The following table shows how their exports fell in the first nine months after July, 1953, compared with the corresponding period in the preceding 'wheat year':

	<i>Million bushels</i>	
	1952	1953
Canada . . . . .	249.6	186.2
United States .	260.9	145.1
Australia . . . .	68.0	43.5
	578	375

Both Canada and the United States have had a further bountiful harvest, with the result that a greatly increased carry-over is to be expected in August. In the case of Canada alone this is expected to exceed 15.5m. tons, enough to provide Britain with her wheat imports for three years.

To add to the exporters' difficulties several importers who were parties to the new Agreement have failed to accept their quotas—chiefly, perhaps, because Argentina had after a series of poor seasons had exported 86.6m. bushels in the nine months after Aug. 1 last year.

Early in June United States export prices were lowered by 10 per cent, and Canada's by 10½ per cent. More recently, the Canadian Minister for Trade, Mr Howe, has stated that his Government would 'make no fetish of keeping prices at current levels if these interfered with exports'.

All this is very satisfactory from the British viewpoint; and it is noted with interest that a member of the Canadian Parliament has suggested an Anglo-Canadian wheat agreement, and that Canada should be prepared to accept payment for wheat in sterling.

#### Australia Anxious

Anxiety is felt in this turn of events, and it is instructive to consider the extent to which the Australians have benefited from the working of the I.W.A.

During the four years up to August, 1953, while they constantly received (in terms of Australian currency, that is A£1 5s. to E£1) 16s. 1d. per bushel (f.o.b.) for all wheat sold under the Agreement, their own domestic needs were supplied at 6s. 8d. during 1949-50 (9s. 5d. per bushel below I.W.A. price); at 7s. (9s. below I.W.A.) in 1950-51; at 10s. (6s. 1d. below I.W.A.) in 1951-52; and at 11s. 11d. (4s. 2d. below I.W.A.) in 1952-53.

Moreover, owing to the artificially high 'open' market prices resulting from the operations of the United States Commodity Credit Corporation and other factors, the Australians obtained very much more than the I.W.A. maximum of 16s. 1d. for wheat exported to countries not parties to that Agreement—to Japan, for instance, which paid up to 25s. a bushel (f.o.b.) for at least one consignment.

It is understandable that the Australians should be dismayed at the possible collapse of an Agreement which has proved so advantageous to them.

#### One Man's Work

However, with modern appliances one man can plough, cultivate, sow and harvest 400 acres of Australian wheat land, single-handed, in a year; and with an average yield of 14 bushels to the acre this would produce 5,600 bushels. Of recent years yields have been much higher—averaging over 19 bushels in 1953—but these were unusual. If, as may now be hoped, wheat prices gradually fall to, say, \$1.20 (as expected in the 1949 International Wheat Agreement), the equivalent in Australian currency would be 10s. 6d., whereby the cropping of 400 acres should yield a gross £2,800 at Australian port.

In fact, however, the average grower sows from 150 to 170 acres from which (on the same reckoning) the gross return would be about £1,100. But such farmers plant other crops as well, and they carry sheep, dairy cows or other stock; and (with wheat at 10s. 6d.) their overall net income should not be unsatisfactory—unless by comparison with the inflated incomes they have enjoyed in recent years. But these have resulted from abnormally high prices for many of their primary products, and the scaling down at least of wheat prices is long overdue.

#### WHITE-COLLAR WORKERS: NOT ENOUGH JOBS, SAYS I.L.O.

The demand for white-collar jobs is outrunning the supply, even though opportunities in the field are increasing, an International Labour Organisation report finds. A major reason is the higher social standing claimed by white-collar workers.

Teachers, sales people and office workers are the largest occupational groups among salaried workers. The great majority of them are in the lower middle-income bracket 'although they do not necessarily measure their social standing in terms of income'.

While white-collar jobs have outpaced manual work in the last 50 years, openings are not unlimited. The point is brought home by the high unemployment rates noted among non-manual workers in many countries. The figures are exceeded only by the jobless among unskilled labourers.

On the white-collar worker's claim to a higher rung on the social ladder, the report comments: 'This essentially non-economic factor is basic to employment problems persisting in these occupations, even though the shadowy line between many clerical tasks and unskilled factory occupations tends to become more and more imperceptible.' *Geneva, July 1954*

Palestine Arab refugees: 476,000 in Jordan, 209,000 in Gaza, 102,000 in Lebanon and 85,000 in Syria.

*Technical assistance* in 1952 and 1953 under the U.N. Expanded Programme increased considerably. Of the 1,767 experts supplied during 1952 by the United Nations and the specialised agencies, 389 went to the Middle East. The number of fellowships or scholarships granted was 620 out of 3,160 for the world as a whole.

*Production of cereals* in 1952 was about 25 per cent above the 1948-50 level in spite of low rice production. The most important progress was made by Turkey whose wheat crop amounted to 5,700,000 tons in 1951, 6,600,000 in 1952 and 8,100,000 tons in 1953. In 1952, however, the region as a whole was still a net importer of cereals, though most of the countries announced better cereal crop for 1953.

*Cotton production* in 1952 stood at 16 per cent above 1951 and had increased by 30 per cent above the 1948-50 level, according to the report. In 1953, however, the fall in prices and the accumulation of stocks led to a decrease in production.

*Progress in industry* was slow, except in Turkey. The outbreak of war in Korea had given the industry of the region a two-fold impetus by reducing foreign competition and simultaneously raising the price of local export crops, thus increasing domestic purchasing power. More recently, however, these two factors have tended to subside.

#### Foreign Trade

The value of foreign trade for the region as a whole was, in terms of dollars, roughly equal in 1952 to that

of the preceding year, but there was a decline of almost 10 per cent in exports while imports increased by a similar amount.

The situation, however, differed from country to country. Total foreign trade increased by almost 30 per cent in Turkey, and to a lesser extent in Israel and Jordan, while it declined by 18 per cent in Egypt. The most important change in the direction of trade was the relative decline in the share of the United States and the United Kingdom, the marked increase in Western Germany's trade with the region, the increase in Soviet trade with Egypt and Iran, and the continued decrease in intra-regional trade.

The terms of trade deteriorated for all the countries for which figures are available, the rise in import prices being the main factor.

*Petroleum:* The proved reserves of crude petroleum in the Middle East were conservatively estimated at 8,300 million metric tons in early 1953, a rise of 28 per cent over those of 1951, according to the report. The share of the region in world's total proved reserves rose from 50 per cent to 53 per cent. There was a further rise in reserves in 1953.

Output of crude oil amounted to over 120 million tons, representing 18.4 per cent of the world's crude production as against 17 per cent in 1952. Despite the drastic decline in Iranian production, the output of crude petroleum in the Middle East increased by 10.1 per cent in 1951, 8.3 per cent in 1952, and an estimated 15.1 per cent in 1953, as compared with the world's 5.2 per cent in 1952 and 5.9 per cent in 1953. Iraq, Kuwait and Saudi Arabia accounted for 92 per cent of Middle East production in 1953 as

against 57 per cent in 1950. On the other hand, Iran's share declined from 36 per cent to one per cent. The greatest expansion took place in Iraq where output increased from 8.7 million metric tons in 1951 to 18.9 million in 1952 and 28.2 million in 1953.

The importance, however, of the Middle East as a supplier of refined petroleum products has declined in recent years. In 1952 the region processed a little less than 4 per cent of the world's refined products as against 9 per cent in 1950.

On the other hand, steps have been taken for the utilization and conservation of natural gas and refinery gas which are produced in large quantities in conjunction with the production and refining of petroleum. Hitherto these gases had been almost entirely wasted.

Middle Eastern exports of crude petroleum amounted to 62.3 million metric tons in 1951 and to 79.6 million in 1952. Of these, Europe took 50 millions in 1951, representing 90 per cent of its imports of crude oil, and 65 millions in 1952, representing 93 per cent. The United States imported 5.1 million metric tons of crude oil from the Middle East in 1951, and 7.6 million in 1952.

*Egypt:* The dominant factor in 1952 was the sharp fall in cotton prices, coming after the equally sharp rise of 1950-51 that followed the outbreak of war in Korea.

The government which came to power after the change of regime has been faced with three main tasks: to restore equilibrium in the balance of payments, to balance the budget, and to set in motion forces raising the country's productive capacity.

Steps were taken to stimulate

exports of cotton—the country's main product—and to restrict imports. As a result, the foreign payments situation was stabilized and in 1953 the changes in gold and foreign exchange reserves were very slight.

In order to balance the 1953-54 budget, various cuts were made in subsidies and allowances, while duties on luxuries and excise duties were raised.

Simultaneously the government took some important measures to bring about long-term expansion. Among these were the Land Reform Law and the establishment of the Permanent Council for Development of National Production. Among the most important projects approved by this Council are those relating to expansion of the cultivated area, transport and petroleum.

*Israel:* There was an easing of the powerful inflationary pressures which made themselves felt in 1951 and at the beginning of 1952. Prices, however, continued to increase, though more slowly and the exchange value of the Israeli pound was again reduced in 1953. Thus, while substantial progress has been achieved in agricultural production and exports, it cannot yet be ascertained to what extent the basic difficulties facing the economy of Israel have been solved. The most acute of these problems are the inflationary pressure, the deficit in the balance of payments, and the requirements for development in agricultural and industrial fields.

The 1952 crop was considerably larger than that of 1951 which had been affected by drought, and further progress was anticipated to take place in 1953, particularly in cereals, vegetables and fruit. Industry, however, developed at a slower pace than



agriculture and less rapidly than in 1951, owing chiefly to the shortage of raw materials.

There was an improvement in the balance of trade but the situation of the balance of payments remained serious.

*Turkey:* The period 1952-53 saw considerable economic progress largely because investments made during the previous year began to bear fruit. The most remarkable advance was made in agriculture, but industry also progressed. A noteworthy trend was the interest in economic matters shown by the general public, which manifested itself in the form of increased financial participation in development projects.

The cultivated area increased from about 11,300,000 hectares in 1950 to 13,400,000 in 1952, and the volume of production rose more than correspondingly, the report states. The main advances were registered in cereals and cotton. As compared with 1950, production of cereals rose

by 37 per cent in 1951, 58 per cent in 1952 and 85 per cent in 1953. Cotton production rose from 118,000 tons in 1950 to 165,000 tons in 1952.

In industry, the index of production passed, for mining, from 122 in 1950 to 127 in 1951, and 146 in 1952; for manufacturing, from 112 to 116 and 129; for textiles from 116 to 109 and 128.

Investment was maintained or increased in most sectors of the economy.

In 1952 the foreign trade of Turkey reached an all-time peak. The rapid development of the last few years raised the demand for imports of capital goods, fuels and raw materials, while the increase in output made it possible to expand exports of agricultural and mineral products.

The balance of trade, however, has shown a deficit since 1947, and in 1952 the deficit was more than double that of 1951 because of the greater increase of imports than exports. There was an improvement at the beginning of 1953.

## IMPERIAL PREFERENCE ASSESSED (From opposite page)

when assessing competitive power.

A figure of 5 per cent may seem surprisingly low to those with experience of very high preferential margins; but such margins are few and far between. There is no doubt that preferences are of very considerable importance in certain trades, where the rate is relatively high or the market highly competitive and sensitive to price differentials.

For many years tariff preferences were overshadowed by direct trade and exchange controls and by the existence of sellers' markets. They will regain importance to the extent that these conditions change. But the

effect of preferences on our total export trade cannot be more than marginal. Following a rough method of calculation used in an earlier article, it seems unlikely that an average preference of around 5 per cent on our exports to the Commonwealth can make a difference of more than, say, 5 per cent in our total exports to the world as a whole—although even marginal exports of this size can, of course, be of crucial importance while the balance of payments remains precarious. It is certain that the effect of Imperial Preference on the total sales of U.S. manufacturers is entirely negligible.

## Imperial Preference Assessed

BY SIR DONALD MACDOUGALL AND ROSEMARY HUTT

*We give below the author's summary and also a short extract from an important study which cannot be summarised adequately but should be studied in its original form.*

### Summary of Main Results

EVEN before Ottawa, Britain was enjoying an average preference of 13 per cent on over one-third of her exports to British countries, giving an average preference of 5 per cent on all her exports to the Commonwealth. In return she gave preference (admittedly high ones) on only 7 per cent of her imports from the Commonwealth, making an average rate of preference of 2.3 per cent on all her imports from British countries.

By 1937, mainly as a result of the Ottawa Agreements, the proportion of trade enjoying preference had risen to well over one-half in each direction, and many old preferences had been increased. This intensification of Imperial Preference, which was considerably more important for Britain's imports than for her exports, raised the average margin of preference to 10-12 per cent on all trade in each direction. It was achieved largely by raising tariff rates on foreign goods and not by reducing rates on intra-Commonwealth trade; the latter, on the contrary, tended to rise as well.

Since 1937 there has been a large reduction in Imperial Preference. The proportion of trade enjoying preference has not fallen greatly, and is still about one-half in each direction. But the average rate has fallen

to about 6 per cent on both imports and exports. (The rate is, of course, about twice as high on goods enjoying preference, and higher still on many items.) The reduction in Imperial Preference since 1937 has been the result, first, of tariff changes, including those negotiated under G.A.T.T. and in other Trade Agreements, and secondly—probably more important—of the very large rise in prices which has reduced the *ad valorem* incidence of specific margins. The rise in prices has also brought about a substantial fall in percentage rates of protective duty, both on intra-Commonwealth trade and on similar goods imported from outside the Commonwealth.

Something like one-half of both British exports to and imports from the Commonwealth enjoy preference, but in some Commonwealth markets for U.K. exports the proportion is much higher. Well under one-tenth of the trade in either direction enjoys preferences of over 20 per cent, although there are still a few very high preferences of 50 per cent or more. The average percentage margin of preference on all U.K. trade with the Commonwealth has been greatly reduced since the late thirties, and is now probably in the neighbourhood of 6 per cent in either direction. The margin is still smaller—probably around 5 per cent on U.K. exports to the Commonwealth—if it is reckoned as a percentage of the value of trade including duty on British goods, which is more relevant

[Concluded opposite

From *Imperial Preferences: A Quantitative Analysis*, Economic Journal, London, June 1954

## Relation Between Population and Food

BY PROFESSOR B. S. AGARWALA (BIRLA ARTS COLLEGE, PILANI)

DURING the past two centuries, the population of the world has more than trebled itself; from nearly 730 million persons in 1750 to about 2,390 million in 1950; and the growth in various regions has been, generally speaking, much faster than the increase in food supplies.

Happily the controversy about 'under' and/or 'over' populated areas is by now over; and modern thinkers have begun to associate their ideas to an *optimum* concept of population. It is now held that there is nothing like 'under' or 'over' populated regions; it is in terms of the material resources available to a nation with reference to her population needs that her 'prosperity' or 'decline' must needs be judged.

Economists now seem to be generally agreed in visualising an 'optimum' level—as yet not clearly specified and not amenable to any measuring rod—that they think would hold good, and, if persisted in, should lead to the desired goal of plenty. Were such a level realised in practice, through either a carefully graduated growth of population, or a steady growth of material resources, or partly of both, modern thinkers firmly believe that the ills of the world, resulting from an inordinate growth of population almost unchecked, would happily be got over, ensuring an era of reasonable plenty.

That such a goal is well within the realms of realisation is not denied; but the idea of the 'optimum' is still so vague and so ill-defined that it is not possible to measure it exactly. Even the existence of a close re-

lationship between population and the material resources within the reach of a nation is not yet fully understood to any measurable degree of accuracy.

### Simple Formula

While studying the problem, the writer happened to stumble on a formula, which he ventures to put forth to help in grappling with the huge maladjustments of population to the scarce resources at present available in various parts of the world.

Let 'P' be the population in millions of persons, and 'F' the total food resources in millions of tons available in a country.

Not all the population is likely to consume the entire food supply; nor will the whole of the supply be available in its entirety for consumption. For some of the young children and infants have to be fed on milk, and some of the food supply is bound to be wasted in cleansing and grinding processes. While preparing estimates for the First Five-Year Plan for the Indian Union, the Planning Commission has made an allowance of 15 per cent on the former count, and of 12½ per cent on the latter.

Though both these allowances appear to be fairly reasonable, it is felt that the allowance made in respect of children is a slight underestimate in view of the changing pattern of population and the increasing number of children during the past three decades. To err on the safe side, an extra allowance of one per cent—of 16 per cent in all—

*From Eastern Economist, New Delhi, June 11, 1954*

for children is suggested; and the allowance of 12½ per cent for wastage is kept intact. Thus, 16ths of the entire food supply would be available for consumption for 84 per cent of the grown-up persons for 365 days in a year.

Assuming 'Q' to be the quota of ration available 'per capita per diem', the undernoted equation would hold good between P, F and Q in any country in a given year:

$$\frac{1}{8} F = \frac{84}{100} P \frac{Q \times 365}{20 \times 4 \times 28 \times 16}$$

OR,

$$F = \frac{83 \times P \times Q \times 73}{100 \times 4 \times 4 \times 2 \times 7} = \frac{219 \times PQ}{224 \times 100}$$

In the above equation the fraction  $\frac{219}{224}$  is almost equal to a unity and the error in treating it as unity would be less than .08 per cent. Hence, if we were to ignore this deficiency—which would incidentally be erring on the right side to the increasing number of children that are fast being added to the Indian Union—we get an equation in the undernoted simplified form:

$$100 F = P Q.$$

It must be noted that 'P' means millions of persons; 'F' means millions of tons of food supply; and 'Q' is the quota in ounces 'per capita per diem', available out of the existing food supply. Given any two of these three unknowns, the third one can readily be computed. For example, the population of the Indian Union was round about 360 million persons in 1950-51, and her food supply was in the neighbourhood of 45.5 million tons.

$$\text{Hence } Q = \frac{100 \times 45.5}{360}$$

$$= 12.63 \text{ ounces approx.}$$

If the population of the Indian Union were to double itself to 720 million persons in another seventy years or so—as there is every prospect it will grow unless checked through certain measures of birth control—we shall need some 115 million tons of food supply to feed her people at 16 ounces 'per capita per diem' round about 2021.

Whether or not we shall be able to raise our production potentials to this level—from its existing level of about 50 million tons of food—is a question well worth investigating. If this were not possible, how best we can control the 'improvident maternity' within reasonable compass to ward off the ill-effects of scarcity, is the second aspect that deserves attention.

### ECONOMIC RESEARCH COUNCIL

THE Chairman asks members to note that the annual general meeting will be held in the Angus Room, 55 Park Lane, London, W.1, on Wednesday, September 22 at 6 o'clock. It will be preceded by a meeting of the Executive Committee, and followed by a dinner at which the guests will be Mr H. S. Goodwin and Mr H. Hope, the retiring secretary and assistant secretary of the Council. Formal notices will be sent to members in due course.

## Machines on the Farm

### The Problem of Costs

BY W. H. CASHMORE (DIRECTOR, NATL. INST. OF AGRICULTURAL ENGINEERING)

DURING the war years farm mechanisation played an important part in the drive for maximum production of home-grown foodstuffs. But Britain is now facing the problem of maintaining a high level of production at an economic price, with world prices tending to fall. Consequently the economic aspects of mechanisation are of primary interest to British farmers.

Between 1939 and 1949 production per acre and per man increased by about 30 per cent. Since that time there has been a further improvement, especially in production per man-hour. By 1953 the average value of produce per acre was little more than 50 per cent higher than that for 1939.

Considering the potential advantages of mechanisation, the advances made in the breeds of cattle and plant varieties, improved techniques, and the fact that the increases are based on present-day prices, there is at first sight some justification for regarding the present position with apprehension. However, there are grounds for believing that costs of production can be somewhat reduced in the future.

Some of the first advantages of mechanisation have been swallowed up by the necessary improvements in the standard of living of farm workers. Since 1939 farm wages have risen by about 175 per cent, the hours worked per week have been slightly reduced, and more holidays have been granted. In addition to

this, machinery has reduced much of the drudgery from farm work. In many of these cases the use of machinery has been mainly for eliminating heavy hand work and has had little effect on the cost of production.

### Less Casual Labour

Other important changes have been the replacement of the horse by the tractor, thereby making it possible for a man to multiply his efforts and smooth out peak seasonal labour demands. The over-all effect of these changes has been a slight reduction in permanent labour and a marked curtailment in the use of casual labour. Peak labour demands are usually associated with high-value crops, such as sugar beet and potatoes, and so a secondary effect has been the rearrangement of farm policy to include more high-value crops.

The greatest progress has been made in machinery for harvesting crops, but it covers all phases of farming. For example, the combine harvester, used in conjunction with a pick-up baler for collecting straw, has reduced the labour requirement to eight to nine man-hours per acre, compared with 24 man-hours per acre required by the binder and thrasher method. Machinery for the mechanical loading and spreading of farmyard manure has reduced labour from ninety man-minutes per ton required by the hand method to about thirty man-minutes per ton.

In planning the mechanisation of a

*From Manchester Guardian, July 6, 1954*

particular farm, each machine must be considered in relation to the whole farm economy, and for the most efficient results it is advisable to decide upon the number of men that will be available and then select the machinery to give the highest return per acre. There can be little future for machines or processes requiring a large team to operate, however efficient the over-all performance might be.

### Principles of Planning

Thus, one-man equipment which can carry out a complete operation without depending on a complicated organisation involving other men and machines has distinct advantages for the majority of farms. For example, it is possible to load, transport, and spread farmyard manure with one man and the necessary tractor equipment. There is an alternative technique in which a tractor-mounted loader feeds two or more mechanical spreaders travelling to and from the field; three or four men and at least three tractors are required, and although the over-all performance per man is rather better than with the one man outfit it needs careful organisation and obviously leads to over-capitalisation in machinery for all except the large farms.

In spite of the recent developments of machinery to remove peak labour demands, the seasonal nature of farming makes it almost impossible to obtain a level labour demand throughout the year. For instance, automatic potato-planting machines using two men plant at the rate of four acres per man in an eight-hour day, and more simple planting machines have a working rate of 1.5 acres per man for an eight-hour day. At harvest time even the most up-to-date complete potato har-

vester works at only 0.3 acre per man in an eight-hour day. Even allowing for the fact that the harvesting season may be longer than the planting time, the process is still unbalanced in its demands for labour.

In the evolution of mechanisation it becomes increasingly difficult to replace a further man on any particular farm. If any rearrangement only saves a fraction of a man, then if that man goes the level of farming tends to drop.

It is important to distinguish between a saving in man-hours and the actual saving of a man. Unless the time saved in man-hours is utilised for increased production, it will increase the cost of production, if it has been obtained by purchasing additional machinery. It is not sufficiently well understood that on many farms the purchase of additional labour-saving equipment would enable existing staff to increase production by looking after more cattle, poultry, or by engaging in any form of high-level production.

### New Machines Coming

A number of machines linked with improved or new techniques are likely to result in increased production in the future. These include ditching and draining machinery suitable for the standard farm tractor, fertiliser placement drills, spraying equipment for the control of weeds and pests, and overhead irrigation.

Many farmers will have misgivings about recommendations for further expenditure on machinery at a time when they consider they already have too much capital tied up, but many farms considered to be overcapitalised on machinery are either equipped with implements unsuitable for the system of farming or the implements are of indifferent design.

In the immediate post-war period some British-made implements were not up to the high standard of British tractors. A marked improvement is now taking place in design, reliability, and durability, and in many cases it would be sound policy to write off the unsatisfactory machines and replace with modern ones.

On many mechanised farms labour costs are about 30 per cent of the total cost of production, and machinery, covering depreciation and repairs, is 20 to 25 per cent. Obviously high productivity is an important factor in keeping down the costs of production. With the smaller farms, when machinery rises above

30 per cent of the total cost of production it is an indication that overall costs are too high, and there must be some economy in equipment. The most likely way of achieving this seems to be some co-operative scheme for the use of machinery, but to date there are few successful examples of this.

*There is a good chance of reducing the cost of production on British farms, provided (a) sound equipment at reasonable price is available, (b) there are skilled operators to work it, and (c) the farm is supported by a good organisation. Finally, it seems reasonable to expect greater advances to be made in increased output per acre than in output per man.*

## Turkish Hazelnut Production

HAZELNUTS are among the chief products of Turkey, and large quantities are exported annually to all parts of the world. Production in the last three years was: 1951, 85,800 tons; 1952, 74,500 tons; and 1953, 43,000 tons.

The story of Turkey's hazelnut exports goes back to the thirteenth century when the Genoese were trading in the Black Sea. The first official document referring to these exports, in the handwriting of Roy Gonzales Klavyo, Chief Ambassador of Spain to Timurlenk, is dated 1403. This tells of a voyage of 25 days from Trabzon to Istanbul by a ship carrying a cargo of nuts. Later records show that a shipment of nuts was sent to Russia's Nijni Novgorod Fair in 1773, and that exports to Rumania began as early as 1792.

The beginning of the nut trade with England was in 1851 when

Turkish hazelnuts were shown at the Great Exhibition. Belgium began to import Turkish nuts in 1875, and after the turn of the century a number of countries became markets for them, including Serbia (1906), Greece (1906), Germany (1907), France (1909) and the United States (1912).

Today Western Germany heads the list of importers, buying hazelnuts to the value of £T22 million in 1952, when total exports of shelled hazelnuts were valued at £T51 million, and of those in shells at £T900,000. The list of main buyers in 1952 was as follows: Western Germany (£T22,034,597), the United Kingdom (£T3,994,025), Switzerland (£T3,903,429), Yugoslavia (£T2,871,714), Sweden (£T2,800,816), Italy (£T1,983,796), France (£T1,976,210), Holland (£T1,763,452) and the United States (£T1,584,193).

*From News from Turkey, Turkish Embassy, London, June 16, 1954*

## GATT REPORTS THAT THERE ARE

### Still More Bilateral Agreements

A LARGE part of international trade continues to be regulated by bilateral agreements and the number of agreements has increased during 1953.

In *intra-European trade*, the clearing of accounts through the EPU has no doubt facilitated the realisation of the volume of trade envisaged in bilateral agreements.

#### Unamenable Farmers

As trade in certain commodities, particularly within the agricultural sector, remains severely restricted, negotiations between many pairs of countries have met with difficulties. In the present surplus situation of most agricultural products the importing country is often in the stronger bargaining position. It is significant that in several countries which are large importers of agricultural products, such as Western Germany, Switzerland and Belgium, the percentage of imports which have been liberalised is smaller for agricultural products than for raw materials and manufactured goods. Also, from another point of view, the increased liberalisation of trade within Western Europe does not necessarily mean an easier flow of trade between any two countries: this depends primarily on the composition of trade between them.

In some instances a government wishes, in negotiations, to obtain fixed quantities or values for the export of goods which are not subject to import restrictions in the other country. This is done in order to secure a minimum volume of trade

in articles which otherwise could be marketed only with difficulty. The use of global import quotas has, in some cases, necessitated negotiations for quotas on similar grounds. For example, in negotiations with the United Kingdom, The Netherlands and Sweden have insisted on quotas for such goods as flower bulbs, paper and board in order to ensure the maintenance of their exports. A recent feature of the agricultural trade in Western Europe is the increasing reluctance shown by a number of exporting countries to enter upon long-term engagements in view of the more promising outlook for trade in foodstuffs with Eastern Europe.

#### East-West Trade

The agreements governing the so-called *East-West trade* show a complex network of arrangements of different kinds, of which about two-thirds are the usual type of bilateral agreements with quota lists, swing limits and payments by clearing. Under these agreements most West European countries have accumulated surpluses. In its trade with the USSR, Finland also has acquired a surplus, although the agreement has made possible a comparatively large volume of trade. The recent agreements concluded by the USSR with several West European countries provide for a considerable increase in trade.

#### Europe and Latin America

Following the decline in trade between Europe and Latin America in

*From International Trade 1953, General Agreement on Tariffs and Trade, Geneva, June 1954*

1952, an effort was made last year by each side to restore the level of its exports. Countries of Europe concluded several new agreements mostly with non-dollar countries. It has been estimated that in 1951-52 more than one-half of the combined trade of the non-dollar area of Latin America with Western Europe was carried on under bilateral agreements. In its efforts to develop new markets, Brazil last year concluded several new agreements with countries in Eastern and Western Europe.

The largest of these are with France and West Germany, aiming at trade of 130 and 115 million dollars respectively in each direction. As a result of her new agreements Brazil expects to increase her exports of cotton to these countries and also to Italy, Finland, Poland, Czechoslovakia, Yugoslavia and Japan.

Argentina last year concluded 13 new agreements and now has bilateral agreements with 23 countries; two-thirds of her total trade is conducted in this way. Argentina's largest agreements by value are with the United Kingdom, Western Germany and France, but agreements with Japan, the USSR, Sweden and The Netherlands are also important.

Among the dollar countries in Latin America, only Colombia has extensive bilateral arrangements with Europe, under which 90 per cent of her European trade takes place. In its agreement with Austria, Colombia secures a market for a fixed quantity of coffee and undertakes to allow imports of articles which are not on the prohibited list. The strictly bilateral nature of this and other Colombian agreements is seen in the fact that they forbid re-exports of coffee to the dollar area or to countries with which Colombia has trade agreements.

### Western Germany

The recent expansion in the trade between Latin America and Western Germany could hardly have been so strong had it not been for the eleven agreements under which 85 per cent of this trade is conducted. It should be mentioned that Western Germany does not regard Colombia as a dollar country. In trade with Brazil, Germany encountered considerable difficulties after the agreed swing limit had been greatly exceeded, but under the agreement concluded in September 1953 the large German surpluses are to be gradually settled mainly by means of more than doubled coffee shipments which were facilitated by the reduction of Germany's internal coffee tax. There are also other examples where agreements have not brought about the intended balance in trade. In spite of Argentina's five-year agreement with the United Kingdom, trade between the countries slowed down steadily until 1953 when United Kingdom imports nearly doubled while Argentine imports continued to fall. The agreement expires in 1954 but neither country seems to be greatly interested in a new long-term agreement.

In general, the South American countries try in negotiations to reduce their imports of consumer goods, and countries which have no such agreements with South America find it increasingly difficult to sell their goods there. The Swiss textile industry, for example, has found its market diminishing and has urged the Swiss Government to open negotiations for textile quotas. In Colombia, Switzerland was shut out from the market when it was decreed in February 1952 that certain goods would be admitted only from coun-

tries with which Colombia had trade or payments agreements, or with which trade was approximately in balance. After discussions with Switzerland this rule was altered to place hard-currency countries on the same footing as agreement countries. On the whole Europe has lost less than North America in its trade with Latin America and this may be partly due to the fact that trade is to a large extent regulated by agreements. Several of the agreements concluded last year, in particular those between Brazil and Western Germany and between Argentina and France, are expected to increase considerably the volume of trade in comparison with the preceding period. In 1953 new links in the bilateral network were made in the form of agreements between Latin America and certain East European countries. Of these should be mentioned particularly the agreement concluded between Argentina and the USSR—the first between the two countries—envisaging a trade volume of \$150 million annually.

### Far East

Among countries in the Far East, Japan has continued to carry on a major part of its trade under bilateral agreements of which there were 24 at the end of 1953.

It is evident that the development of Japan's trade has been facilitated by this means. As an example may be mentioned the agreement with Argentina, involving important sales of steel and power-station equipment, which envisages a trade volume of \$90 million each way, i.e. a trebling of the value of trade in 1953. Japan in 1953 concluded new agreements with Burma, Egypt and Thailand. In the agreement with Burma, the purchase of about 300,000

tons of rice annually for three years is envisaged, at a price to be determined annually in advance. Also with Europe, Japan's bilateral trade is increasing: according to a new agreement with Germany the total value of trade will rise by 50 per cent.

India, which previously had concluded very few bilateral agreements, negotiated several agreements in 1953 thus bringing the total number up to 16. Of these, however, six are with East European countries with which trade is necessarily conducted by bilateral arrangement. Under several of these agreements India has seen trade balances running against her and special efforts have then been made to develop exports.

Countries in the Far East, which are members of the Economic Commission for Asia and the Far East, in 1952 negotiated or concluded in all 41 agreements within the area itself or with other countries. In 1953, this total was raised to 52 by the conclusion of new agreements with mainland China, the USSR and Eastern Europe.

In Western Europe, India has bilateral agreements with Austria, Finland, Germany, Norway, Sweden and Turkey. Under the new agreement with Sweden, as with the others, India will benefit from the OEEC import liberalisation. Under the first agreement with Egypt, India will become the biggest buyer of Egyptian cotton, while India will export tea, oilseeds, cotton piece goods, textile machinery, etc. The Indian agreements are usually for a period of a year or two with the exception of the long-term agreements with Burma, Ceylon and the USSR. Pakistan has increased her cotton exports substantially under bilateral agreements with Italy, Hong Kong and Japan.

## New Books Reviewed

*The Communication of Ideas. A Study of Contemporary Influences on Urban Life*, by I. Cauter and J. S. Downham, published for Reader's Digest Association by Chatto and Windus, 25/-.

This is an exciting book, mainly because it is an attempt to break new ground, but also because of the significant, often poignant, facts it discloses. What the authors have tried to discover are the means whereby ideas get into the minds of people. If primarily they are trying to help advertisers, men, they have by no means lost sight of the fact that there are other propagandists than those who have goods to sell. The picture they present is formidable, for it indicates the almost total inaccessibility of many minds to anybody whose appeal is aimed higher than a man's (or woman's) waist—or neck anyway.

The study is concentrated on Derby, not because of any special interest in that city, but because it is held to be a fairly representative urban community. What emerges in terms of Derby may well be substantially true of many other provincial centres.

In order to see the picture whole, the authors have studied (by perfectly sound sampling methods) eleven different activities through which people might conceivably come by ideas, preferences, habits. They are Education, Religious activities, Clubs and Associations, Sports and Hobbies, Public Houses, Public Affairs and Politics, Travelling about, Cinema and Theatre, Radio and Television, Reading of newspapers and magazines, Reading of books and use of libraries. In each instance there is a careful analysis of total figures as between men and women, and as between age-groups and social 'classes'.

The kind of thing that emerges may be indicated by a couple of examples. We are told that all except 2 per cent claim to be associated with some religious denomination; 73 per cent are 'C. of E.', 11 per cent Methodist, 7 per cent Roman Catholic, and 7 per cent Baptists or Congregationalists or 'others'. The largest (Church of England) group naturally shows much the same age distribution as the general population; the Roman Catholics were disproportionately young; the Nonconformists disproportionately old. But so high a claim to belong to some religious denomination or other is misleading, for about a quarter of the claimants never go to church at all, and only one in eight goes anything like regularly.

Rather startlingly the study finds some kind of connection between church-going and pub-going, so let us look at drinking habits. Of men, 70 per cent drink at least occasionally, and 21 per cent are abstainers. Of women the parallel figures are 71 per cent and 29 per cent. Regular drinkers (once a week or often) among men total 59 per cent, the other 20 per cent being occasional drinkers. Among women the parallel figures are 42 per cent and 29 per cent.

In addition to the fascinating sectional studies and tables, a section of the book describes just how the job was done, and other sections discuss the problems of 'social class and status' and 'inter-communication and social status'.

Doubtless it is good for us to look at ourselves coolly and objectively, but the discipline is a little depressing.

*The Hulton Readership Survey, 1954, produced by the British Market Research Bureau Ltd for Hulton Research, Hulton Press, London.*

This also is a pioneer work, but it is now in its eighth year of publication and an established classic. Here again the interests of advertisers are a primary consideration, but the information made available is of great value to a much wider public. The question here put under the microscope is 'who read what?'. Answers are returned in terms of readers of the various publications, not merely their circulations. The scope of the inquiry is the 36,500,000 members of the population who are 16 years of age or over. The top four publications, taking that constituency as a whole, are *News of the World* (48 per cent), *Radio Times* (46.7), *Sunday Pictorial* (34.2), *People* (33.0). Others over 20 per cent are *Daily Mirror* (28.9), *Daily Express* (26.3), *Reveille for the Week-End* (24.5), *Sunday Express* (20.5). Against these enormous figures, the lowest of which represents nearly seven and a half million devotees, we may set the following: *Daily Telegraph* 5.7; *Observer* 4.3; *Sunday Times* 3.6; *Punch* 2.8; *Listener* 1.7; *Manchester Guardian* 1.3; *The Times* 1.2.

This is the all-over picture, but of course the report elaborates within the table from which we are quoting so as to show differences of addiction within the various social grades; and makes so many different approaches that it needs nearly forty tables to do its job. If you need to know what pet owners, or cyclists, or 'beauty-conscious' women read,

## NEW BOOKS REVIEWED

or almost any other breed you can think of, here is the answer.

A year ago we drew attention to the post-war progress of what are called the 'sexier' periodicals. That they are still progressing may be seen from these figures—readership figures, we emphasise, not simply circulation figures: *Reveille* now publishes twice a week instead of once, but has maintained its readership of the original edition at practically 9,000,000; *Tri-Bits* has moved up from 3,280,000 to 3,470,000; *Week-End Mail* from 2,170,000 to 3,650,000. It would seem that the publisher who first thinks of using a *Dirty Digest* should make an easy fortune.

*Oxford Economic Atlas of the World. Prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press. Oxford University Press (Geoffrey Cumberlege), 1954, 30s.*

This is a most useful new reference book. It consists of two main parts—world commodity maps grouped in 10 sections and the Index arranged country by country. The map section combines cartographic presentation of the main production areas with insets showing production, trade and other important features (such as prices or consumption) in the form of graphs or simple tables. As the maps are, therefore, not overloaded with symbols, they are easy to read. Whereas the map section concentrates on the world pattern, the index gives in addition to general information (area, population, trade, communications, etc.) 10 sets of tables which include items selected so as to give a full view of each country's production and trade. The Atlas also contains an introductory section of world maps dealing with such important features as soils, vegetation and rainfall, followed by reference maps of the six continents, and a concluding section, dealing mainly with population and communications. Statistics for the agricultural maps are

**UNITED NATIONS PUBLICATIONS**—(available from H.M. Stationery Office)  
*World Economic Report 1952-53.* New York, 1954; 12s. 6d.

*Summary of Recent Economic Developments in the Middle East, 1952-53.* New York, 1954; 9s. 6d.  
*Summary of Recent Economic Developments in Africa, 1952-53.* New York, 1954; 6s.

*Enlargement of the Exchange Economy in Tropical Africa.* New York, 1954; 3s.

A special study, dealing with the structural changes taking place in the indigenous economies of tropical Africa as a result of their increasing participation in production for the markets.

based on the averages for the years 1948-50 and those for mineral and industrial maps on averages for the years 1949-51. The index contains, in addition, pre-war figures and in most cases also data on foreign trade up to 1952. It is obvious that a reference book like this needs careful preparation and cannot be based, therefore, on the latest figures. This does not matter much for the maps since the world pattern of production usually does not change significantly over relatively short periods. The index, however, is so neatly produced that it may be well worth while to bring it up to date annually as a separate publication.

The World Atlas will be followed by a series of regional atlases, containing larger-scale geographical and economic maps. Both the Economist Intelligence Unit and the Oxford University Press deserve congratulations on this new venture.

*Financial Effects of Labour Turnover* by Frank T. Pearce, Ph.D., Research Board of the Faculty of Commerce and Social Science, The University, Birmingham, Limited Edition, 15/-.

This strikes one as much the best study which has so far come out of the enterprising research department of Birmingham University's Faculty of Commerce. Like the three previous recent monographs from the same department, this one also is practical in conception and attack. That is to say, the subject is undoubtedly important; and it is tackled in a way that will be intelligible and useful to businessmen who may not be academically minded. In particular, Dr Pearce rejects previous formulae for estimation of costs of labour turnover (including that used by the Ministry of Labour) and puts forward a new conception that would seem to be academically sound and certainly is more practical to the factory manager. It is hoped that the present brief notice may be followed by the reprinting of extracts in future issues of *Economic Digest*.

*Economic Survey of Latin America 1953. Prepared by the Secretariat of ECLA.* New York, 1954; 17s. 6d.

*Review of International Commodity Problems 1953.* New York, 1954; 7s. 6d.

*Technical Assistance Committee. Sixth Report of the Technical Assistance Fund.* New York, 1954; 17s. 6d.

*Quarterly Bulletin of Steel Statistics for Europe, Vol. 1, No. 2.* Geneva, June 1954; 7s. 6d.



## 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 items given in brackets, to 18 South Street, London, W.1, or telephone GROsvenor 4581.

**Management Accounting:** *An Outline of its Nature and Purpose*. Institute of Chartered Accountants, London, June 1954. Contents include Accounting in Relation to Management, Accounting Information for Planning Purposes, Accounting Information for Control Purposes. Copies of the booklet may be had from Institute of Chartered Accountants, Moorgate Place, London, E.C.2. (532)

**Tea:** *Bulletin of Statistics*, June 1954. International Tea Committee, London. Authoritative and comprehensive as usual for this standard annual. (533)

**Canned Fruit:** *Preliminary Reports on (a) Pacific Coast Canned Pears, f.o.b. Price Relationships 1926/1954, (b) Canned Apples, f.o.b. Price Relationships, 1924/1954*. Both by Sidney Hoos and R. E. Seltzer, California Agricultural Experimental Station, Giannini Foundation of Agricultural Economics, University of California, May 1954. (534)

**East-West Trade:** *East-West Trade Trends*, fourth report to Congress of Mutual Defence Assistance Control Act of 1951 (Battle Act). The period surveyed is the second half of 1953. The style is perhaps too journalistic, but the facts are on record and the difficulties (e.g. precise definition of strategic goods) are faced. (535)

**Canada:** *Appraisal and Outlook for Canadian Business*, Gilbert Jackson and Associates, 44 King Street West, Toronto. Sound and sensible, as is usual with reports from this organisation. The study is systematic. Moderate optimism is the verdict on 'the outlook'. (536)

**Finland:** *The Trend of Finland's National Income*, by Eino H. Laurila of the Central Statistical Office, *Unitas*, quarterly review

of Pohjoismaiden Yhdyspankki and Nordiska Forningbanken. (537)

**Finland:** Review with ample statistics of the Finnish Economy in the first quarter of 1954, *Economic Review*, Kansallis-Osake-Pankki, Helsinki, June 1954. (538)

**India and Pakistan:** *Operation of the Land Tax in India and Pakistan*—a very thorough survey. Monthly Bulletin of Agricultural Economics and Statistics, F.A.O., Rome, May 1954. (539)

**Italy:** *Economic Situation in Italy in 1953*. The entire number of this issue of *Italian Economic Survey* (June 1954) is given up to the subject, which is dealt with in full detail. Published by Association of Italian Joint Stock Companies, which, by the way, provides for answering of questions on industrial and economic conditions in Italy, addressed to Associazione fra le Società Italiane per Azioni, Via Cesare Battisti, 121, Rome. (540)

**Japan:** *Business Income During the Inflation in Japan*, by Ichiro Katano. The Post-World War II inflation in Japan may become classic, like the Post-World War I inflation in Germany. The degree of it may be estimated by reference to the index of wholesale prices which stood at 578 in 1939 and at 137,650 in 1952. The author is Professor of Accounting in the University. *Annals of the Hitotsubashi Academy*, Tokyo, April 1954. (541)

**South Africa's Uranium:** 'Uranium has brought new wealth to South Africa' is the title of an article which, for the most part, is a summary of a report by C. S. McLean, technical director of the General Mining and Finance Corporation. South African Survey, South Africa House, London, W.C.2, May 31, 1954. (542)

**U.S.A. Index of Output of Consumer Durable Goods:** This is a new index introduced by the Federal Reserve System, and it is here fully described by Milton Moss. It is an expansion of an old index by incorporating information recently developed in revising the index of industrial production and introducing new allowances for season variation. *Federal Reserve Bulletin*, Washington, May 1954. (543)

## CONTENTS

Sources of Soviet Power.....	Sir Olaf Caroe	385
Farmers Now Produce More Than World Can Buy.....	I.F.A.P.	393
Extracts from B.I.S. Report (concluded).....		394
Revolution in Economics?.....	Lady Phys-Williams	398
Canada and Colombo Plan.....		401
Convertibility: Three Opinions		
I. The Next Step.....	R. G. Glenday	402
II. Conundrums of Convertibility.....	The Eastern Economist	405
III. Opportunity or Disaster?.....	Edward Holloway	407
O.E.C. Vets the Strasbourg Plan.....	O.E.C.	412
Are There Too Many of Us?.....	Professor Bridley Thomas	421
Canada Faces Competition.....		423
Rising British Consumption.....	Bulletin for Industry	424
Increased Electricity Output.....	Sofina	425
World Trade, 1953.....	C.A.T.T.	426
Changing Pattern of U.S. Foreign Aid.....	International News Survey	429
Book Reviews.....		451