

# DUNLOP RUBBER COMPANY

## GROUP'S GOOD YEAR

THE Fifty-sixth Annual General Meeting of the Dunlop Rubber Co., Ltd, was held on June 13 in London.

THE Rt Hon. LORD BALLEW, K.B.E., C.M.G., the Chairman, in the course of his speech said: In my speech last year I referred to the fact that trading during 1953 had in general been on a steadier basis than in the previous year with demand at a much more normal level. This pattern continued during 1954. The maintenance of full employment and the high level of business activity in the United Kingdom resulted in a substantial increase in demand in most branches of our business. Overseas demands also increased with the result that the turnover of the Group, including inter-company sales, showed an increase from £243 million in 1953 to £262 million. During the year, however, the prices of many products were on a lower level so that this comparison of turnover values does not give a true picture of the increased activities of the Group. It is difficult to express our varying range of products in terms of a common unit, but we estimate that, over all, the volume of the Group increased by about 15 per cent. This was achieved in the face of intense competition, not only in the United Kingdom, but in every country in which we manufacture or to which we export.

## PRICE OF RUBBER

For the last two years I have made reference to the fall in the price of rubber which is, of course, our principal raw material. Just to refresh your memories I would remind you that at the end of 1951 the price was 41d. per lb., whilst a year later—in December, 1952—it was 27d. per lb., and by December, 1953, it had fallen still further to 17d. per lb. In 1954, however, this downward movement was reversed, with the price rising gradually in the early part of the year, more rapidly towards the end, and finishing at 30d. per lb. Thus during the year we had an increase of 13d. per lb., and so far in the current year the price has kept more stable at around 26d. to 27d.

I make no apology for restating these movements in the price of rubber, as I think it is only right that you should appreciate the very great difficulties your Board and Senior Executives have in controlling costs and selling prices when the principal raw material, and consequently the major portion of cost, fluctuates to this extent. Fortunately, during 1954 we did not suffer the heavy inventory adjustments of the two previous years. On the other hand, as the selling prices of our products reflect no more than our increased costs as they occur, we do not derive any benefit from inventory gains. I think this is an important point to mention as there appears to be an impression in some quarters that when the price of rubber rises the Dunlop Group must make substantial profits on inventories.

What I have just said is amply confirmed when reference is made to our profit margin which during 1954 was 6.2 per cent (before tax), compared with 6 per cent in the previous year, and our unit profit during the year was somewhat lower than in 1953. You will see, therefore, that as our volume has increased we have operated on a lower margin of profit and have thus passed over to the consumer most of the benefit which has resulted.

You will conclude that 1954 has been a good year for the Group. We are confident of our trading position in all the countries in which we operate, our factories are working efficiently, and in most cases to full capacity, and our financial position is sound with substantial reserves. All in all, therefore, I feel we can look forward to the future with confidence and that we can expect Dunlop to continue its steady growth and expansion, meeting the increasing demand from all our customers. The report and accounts were adopted.

## CONTENTS

<b>Economic Talking Points</b> .....	357
<b>Digest Spotlight</b> focuses on The Hon. Norman Manley, Q. C.....	359
Canada Must Choose Her Own Road.....	361
The Future of British Canals.....	363
£1,000,000 for Science from Football Pool Profits.....	366
Economic Aspects of the Austrian State Treaty.....	367
Economic Aspects of German Reunification.....	369
<b>Trade Union Topics:</b>	
(1) Restrictive Practices.....	371
(2) U.S. Firms in Britain.....	372
<b>The Strike Ballot</b> .....	375
Wellfare?.....	377
Australian Manufacturing Survey.....	380
New Zealand Monetary Commission.....	381
New Possibilities for East-West Trade?.....	383
Some Big British Investment Programmes.....	384
Central Bank Plans in Central Africa.....	385
The Saar Statute: and the Saar's Economy.....	386
<b>A Time for Commonwealth Action</b> .....	387
Oil Resources of East-Central Europe.....	389
Foreign Investment in Pakistan.....	393
The Hedjaz Railway.....	394
Is German Free Enterprise in Danger?.....	396
<b>DIGEST REVIEWS</b> .....	398
Christian Social Approaches—More than a Catalogue—Push-Button Revolution—Great Matters Made Easy—Revolutionary Capitalism!—Disraeli or Kerensky?—Empires to Republic—Out of Feudalism For Reference.....	403

## *Economic Talking Points*

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### **Does the economic basis exist for a better understanding between the U.S.A. and the U.S.S.R.?**

American farm surpluses could help relieve admitted shortages in the Soviet Empire and Soviet experts have been studying American agricultural methods.

If disarmament takes place as a result of Great Power negotiations the American urge to export will increase. Even under present conditions these surpluses are described as 'burdensome'. American exports into U.S.S.R. could be paid for with Soviet gold.

Moscow appears willing to co-operate in the formation of a world atomic bank.

*But* The ideological conflict remains and American sympathies and electoral considerations demand the liberation of countries now within the Soviet Empire.

### **Is Convertibility Imminent?**

Non-resident convertibility has virtually been achieved and full convertibility remains the long-term aim of the British Government.

There has been speculation about a possible floating pound between points more widely separated than before. E.P.U. plans for a new system of clearing and a European Fund have been considered.

*But* The Chancellor of the Exchequer insists that a sound internal policy and a widening of the boundaries of trade are the prerequisites of convertibility.

Under present circumstances, full convertibility would necessitate intensified discrimination against the dollar.

### Should there be a tighter credit squeeze in Britain?

The letter to 'The Times' from the Chairman and Deputy Chairman of the clearing banks explaining to bank customers the urgent need for less borrowing has aroused controversy in City circles. Mr Butler has associated himself with the banks' view, which, as he told the House of Commons, 'showed their intention of operating the credit squeeze properly'.

The pressure exerted on the banks by advances to some nationalised industries is likely to be lessened in future.

*But* The banks' customers will not easily accept further self-restraint and tighter money is considered by some to be likely to curb productive activity, particularly in food production. The Chancellor has recently said that he is unable to estimate trends in consumers' expenditure for the period since he introduced his budget until he gets more up-to-date figures, and drastic decisions may therefore be postponed.

### Has the nationalisation of British coal proved a failure?

It is now recognised that Britain cannot produce a surplus as a net exporter.

Pits and miners are ageing and the recruitment of colliers has fallen off.

There have been strikes, voluntary absenteeism and a failure to work new machinery to the best advantage.

Improvements made in miners' pay and conditions have not compensated for the impoverishment of seams.

*But* The National Coal Board has undertaken an investment programme (see page 384) which would have been impossible for unaided private enterprise. Miners' memories of unemployment and unsatisfactory labour relations in pre-war years probably made some form of nationalisation inevitable.

The National Union of Mineworkers has set its face against unofficial strikes, supported Saturday working and appealed for higher productivity.

The results of reorganisation since the Report of the Fleck Committee have not yet been seen.

# ECONOMIC DIGEST

AUGUST, 1955 VOLUME VIII NUMBER EIGHT

## Digest Spotlight focuses on

### Norman Manley, Q.C.

*Chief Minister of Jamaica*

THE HON. NORMAN WASHINGTON MANLEY, Q.C. Chief Minister of Jamaica, has recently paid two visits to London to discuss with the British Government questions arising from the pressing need for the economic development of his country. His brief appearance on television certainly aroused widespread interest and sympathy and a greater understanding of the tremendous economic and social problems confronting his government.

Though less flamboyant than his predecessor and cousin, Sir William Bustamante, Manley's forthright replies to questions and his obvious sincerity won the great goodwill of the people of Britain, and this may well be a significant factor in bringing help in the future to the poverty-stricken masses of Jamaicans. One thing Norman Manley certainly shares with his predecessor is a strong belief in the British Commonwealth and all that it stands for and should stand for in our dangerous world.

Mr Manley is leader of the Jamaican People's National Party (P.N.P.) which defeated Bustamante's Jamaican Labour Party earlier this present year, the 300th anniversary of British rule. No one need envy his rise to leadership in his country; for he inherits

problems which would daunt a lesser man, and will need all his courage, patience and ability to overcome. The people of Jamaica at this juncture in their history are fortunate in having a man of resolute and vigorous mentality at their head.

Manley's early education was in Jamaica, but he won a Rhodes Scholarship to Oxford, where he was living at the outbreak of war in 1914. He then served in the ranks of the Royal Field Artillery and won the Military Medal. The war over, he was called to the Bar in 1921, but it was not till much later that he became seriously concerned in politics. His first venture in the field of public affairs was his association with Jamaica Welfare Limited, which he helped to found in 1937, and which did a great deal to assist the Jamaican poor by helping them to help themselves.

The economic depression of those years resulted in much discontent throughout the West Indies, and not enough was done by the administration of those days to attempt any worth-while solution to the many problems confronting them. As a result, the P.N.P. was launched in 1938, with Norman Manley as its leader.

The people of Jamaica, 14 millions of them, live in an area

of 4,400 square miles. They have many natural advantages—good climate, fertile agricultural land, ample water supplies—yet their unemployment figures are round about 20 per cent of their total labour force. Older people in Britain know well the terrible suffering caused by chronic unemployment such as is indicated by these figures, and British memories no doubt accounted to some degree for the remarkable response to Norman Manley's appearance on television.

At least 75 per cent of the basic activities in the Colony are directly related to agriculture and the International Bank Report on the Economic Development of Jamaica envisages a five-year plan centred largely on agricultural development, land reclamation and use. Jamaica is not very well off in mineral resources, though the island possesses bauxite and other minerals, and there are plans for developing these resources, for increasing manufacturing capacity and for fostering tourism and providing much-needed transport facilities.

These developments are absolutely essential if Jamaica is to become a happy, prosperous and contented community in proper association or federation with the British Caribbean as a whole. But, as Manley has pointed out on more than one occasion, the plan requires money, lots of it, and none seems to know where this can come from!

In the World Bank Report referred to it is estimated that the plans put forward will require

something in the region of £22 million. It is reckoned that between £6 million to £8 million might be raised locally, leaving £14 million to £16 million to be borrowed from overseas. Norman Manley himself estimates that about £30 million is required in the next five years, and rightly points out that the solving of problems of adequate finance are a matter of life or death to a country like Jamaica.

The question arises, what can Jamaica do in these circumstances to help herself? It is one which will undoubtedly occur in other territories similarly placed. To what extent can unemployed manpower, unemployed resources and materials be set in motion and adequately used within a community to enable them to raise their own standards of living without recourse to borrowing from outside sources? Unfortunately for them, the Colonial territories like Jamaica are not able to indulge in deficit budgetting, but must adhere to rules of finance which are in fact no longer accepted in Britain, or indeed in many other countries. Here is a possible line of thought which Mr Manley may well be following in his vital talks and discussions.

Whatever may be the outcome, the people of Britain undoubtedly wish him and his country well, and there can be little doubt that his visits here have been of value to the people of Jamaica. They have established Norman Manley as a Commonwealth Statesman who will always be welcome to these shores.

## Canada Must Choose Her Own Road

EVERY now and then Canadians feel obliged to remind their southern neighbours that it is unwise to take them for granted. Certainly Americans are very ready to assume that, because the pattern of life across the border is not dissimilar from their own, American cultural influences are strong, and economic ties are close, Canada will automatically follow their lead. One day they may have a rude awakening.

### Proud Nation

For Canada is quietly and distinctly different, is conscious of her destiny and proud of her nationhood. A good many years have slipped by since Sir Wilfrid Laurier confidently predicted that the twentieth century would belong to Canada. In our view he was wrong only in his timing, since, measured in terms of the quality of her people and the vast, almost breath-taking extent of her resources, it is not at all unlikely that the twenty-first century will be hers. Yet, at this stage in her development, Canada is very well aware of the underlying weaknesses of an economy which is expanding rapidly but in a way which makes it dangerously dependent upon the United States.

### Kingdom and Republic

Nor does the threat of dependence end there. As one of the most adult states in the world, playing a leading role in our multi-racial Commonwealth and exercising a liberal and humanist influence in international affairs, Canada does not always view events as Washington sees them and is not always convinced that the

State Department is 100 per cent right. She is, therefore, none too happy that owing to the shrinkage of the world she now finds herself a buffer between the Soviet Union and the United States, her once remote and silent northern wastes providing the very front line of American defence, necessitating American troops being posted on Canadian soil.

### Price of Freedom

Of course, this is necessary and inevitable, and is recognised to be in Canada's interest, just as it is in the interest of the whole free world that Canadian troops should stand guard with the N.A.T.O. armies in Europe. After all, the price of freedom in the modern world is the acceptance of some restriction of national sovereignty, but it is not always self-evident that our American friends recognise that their mere preponderance of power—however grateful we are for it—gives them no right to ignore the feelings of others.

It was both necessary and timely, therefore, that Mr Lester Pearson, the Canadian Minister of External Affairs, in a speech delivered earlier this month in Chicago, should plainly warn that to ignore Canadian susceptibilities was a wrong attitude, unjustified historically and unwise politically.

### British Connection Prized

It is unjustified historically, for Canada, from the very outset, has always resisted encroachments from the south, has prized the British connection and fought to preserve it.

*From New Commonwealth, June 27, 1955*

It is unwise politically, since the Americans have no better friends, no stauncher allies, no kindlier critics than the nations who jointly compose the Commonwealth; and just as the great association of states is able, through India, to provide a bridge to renescent Asia, so through Canada it provides a bridge between the old world and the new.

#### Extension of U.S. Economy

In the long run, however, there is more cause for anxiety in Canada at the way in which her economy is shaping under pressure from American demand. Certainly, the story of her economic expansion in the last three decades and especially since the war has been unprecedented. Yet, despite the rapid growth of manufacturing, despite the high proportion of her capital needs which she is now finding for herself, it remains broadly true that her economy is not complementary to that of the United States so much as an extension of it.

#### American Tariffs

Recent years have seen tremendous development of basic resources—oil, iron-ore and non-ferrous metals. If the world at large was benefitting, then Canadians would have less cause for anxiety, for their interests require world trade—but the market for these key commodities is almost wholly in the United States.

Or if this mineral wealth was fully processed in Canada and employed to stimulate Canadian as opposed to American secondary production, then incalculable benefits would flow. But American tariffs are such that even now Canadian manufacturers have difficulty in selling across the border. When it is remembered that it is vital to the maintenance of her economy for Canada to export over 25 per cent of her national product, while the comparable figures for Britain and the United States are 17 and 5 per cent, it is little wonder that American trade policies are a source of irritation.

#### Danger for Future

Thus, there is some danger that Canada's future development may be shaped not so much by her own long-term needs as by those of the great Republic. And who can doubt, if economic absorption became reality, that Canada's influence in the world would diminish and her prospects would dim?

Maybe this is unnecessarily pessimistic—for Canada, as one commentator has expressed it, is one of the few countries in the world about which it is impossible to be pessimistic—in the long run. But the Canadian Government have acted wisely and none too soon in setting up a Royal Commission to inquire into future economic prospects. For the short run—the next ten years or so—is important too.

## The Future of British Canals

*A review of the Report of the Board of Survey appointed by the British Transport Commission*

BY J. D. U. WARD

BRITAIN'S canals, nine-tenths of which were constructed between 1760 and 1830, were a product of the Industrial Revolution. The impact of that revolution on our landscape was more often than not ugly and deplorable, but the canals were an exception. They might even be described as scenically the happiest result of industry's development. However, the date 1890 must on no account be overlooked: that was also the year which saw the opening of the Liverpool and Manchester Railway. The canal system had scarcely been completed before it was threatened with such competition as could not be foreseen fifty years earlier. Many of the canals could not, in fact, compete effectively, and gradually about one-third of the total mileage passed into the control of the rail-moting rail rather than canal traffic. But here the sequence of cause and effect should not be misunderstood: it was rather because canals were less efficient than railways, and not because the railways feared canals and used steamroller tactics, that much of the canal system 'failed'.

#### The 1955 Report

The Board sought to discover (a) whether all possible steps are being taken to ensure that the maximum economic advantage is being derived from the canal system under the Commission's control, and (b) what steps should be taken in regard to such of the Commission's inland waterways as can no longer be put to economic commercial use. They now recommend certain changes in administration (e.g. canals in Scotland, all of which are losing money, should

#### Shuttleworth Commission

Canals are obvious things, and idleness and dereliction were plain for all to see. The failures caused some public uneasiness, which led to various inquiries, including that of a

*From Town and Country Planning, June 1955*

be transferred to the Secretary of State for Scotland) and (3) that the Transport Commission should 'concentrate on those waterways activities which are of real value as part of the transport system and be relieved of the remainder, which are placing a heavy burden on the waterways administration and finances'; and (4) 'that certain defined waterways be developed, others to be retained for navigation, and the remainder to be regarded as having insufficient commercial prospects to justify retention for that purpose'.

In consequence of the Transport Commission's acceptance of these two major recommendations (3) and (4), there has been some strong adverse comment both by the Inland Waterways Association (which may be described as a body of amateurs of canals who would like to see an all-round canal revival) and by individuals arguing on such lines as 'Since the canals are already there, surely canal transport should be able to compete with road and rail transport?' or 'It is vital that the heavy traffic on the roads should be reduced, and canals should be made to play their part in effecting a reduction.'

#### Closing and Developing Canals

Inland canals now carry about 1 per cent of total inland tonnage. Only a third of the total mileage of the canals makes a profit, while the other two-thirds (about 1,300 miles) shows losses, even though there are considerable receipts from water rents. In the light of these facts the finding that 771 miles of canals, at present involving a dead loss of £200,000 a year, 'have insufficient commercial prospects to justify their retention for navigation' does not seem ungenerous to the system as a whole, even

though the (presumably) doomed lengths include such apparently promising waterways as the Forth and Clyde Canal, the Kennet and Avon Canal, and the southern section of the Oxford Canal.

With this suggested abandonment of 771 miles should be considered the proposed development of 336 miles (including some of the Grand Union Canal) and the retention without development of the remaining 994 miles—many of them likely to remain uneconomic.

#### Defenders of the Canals

The most vocal of the pro-canal critics, the Inland Waterways Association, complain that both the Transport Commission and the Board of Survey, which latter they fault (not wholly without reason) as insufficiently independent of the Commission to be a fit judge of the subject, are unenterprising and defeatist in outlook. They would like to see a positive or aggressive policy of development. Their recommendations include such points as:

1. There should be no more abandonment of navigable waterways.
2. All the waterways should be developed and exploited in all their functions cumulatively, i.e. commercial and pleasure traffic, water supply and land drainage, under the supervision of a specially-constituted waterways authority.

5. Capital should be allocated to the waterways until the system has reached the point at which normal annual maintenance alone is necessary.

To which many readers will inevitably make rejoinder that canals have had their chance; they were made and managed for profit and the failures are real failures in capacity to compete.

#### 'Galvanising Dead Frogs'

The Report notices the present reasons for failure (which include even such things as difficulties in manning the boats and the cost of maintaining the boats) and further gives pages of figures in which the income and expenditure of all the canals is analysed in detail. Anyone reading some of the pro-canal statements which have appeared in the press can only wonder whether the critics have studied the Report which they attack. Some pro-canal suggestions in fact savour of experiments in galvanising dead frogs—for long sections of the existing canal systems are undoubtedly dead.

This last fact is recognised by the actual business users—the professional National Association of Inland Waterway Carriers—who recommend that the Transport Commission 'should be relieved under fair conditions of the unnecessary financial burden arising from the totally unremunerative sections'.

Economic efficiency remains the crux of the matter, and it is in fact remarkable that the greater proportion of a canal system constructed to compete with pack-horse and horse-drawn transport over poor roads should survive to 1955 rather than that much should now be derelict or obsolescent. Incidentally, some of the canal-amateur arguments could equally well be used in support of windmills or to recommend revivals of coaches-and-four and ploughing by ox teams; in fact, windmills, coaches-and-four and to a less extent ox-ploughing were all enjoying their heyday at roughly the same time as canals—say 1820-40.

#### Amenity Value of Canals

One point of minor importance

from either the transport or the total economic aspects but of major interest for 'amenity' people is apparently being overlooked in some of the current disputes. There is no recommendation that all or most of the unwanted canals should be drained and filled in, and a suggestion that they might be converted into roads is rejected. It is merely recommended that those canals no longer to be maintained for transport should be handed to bodies other than the Transport Commission.

Why, then, should they not continue—at least for a good proportion of their lengths—to be a pleasant feature of the scene and a proper place for pleasure boating and fishing while still playing some part in schemes of water-supply and land drainage? Expenses of upkeep for these purposes should be relatively low, especially since most of the more costly stretches with many locks, tunnels, bridges or long aqueducts could be drained or closed off.

#### Do the Public Care?

It should soon be possible to decide whether there is any real demand, backed by numbers of people willing to pay hard cash, for canals as amenities. At present there is some reason for scepticism on this point. More than twenty years ago, in 1933, Mr W. Bliss's book *The Heart of England by Waterway* was published. This pleasantly discursive volume contains an eloquent account of canoeing on canals (and rivers) of the United Kingdom. The author told enthusiastically how canals climb hills and then circle round their slopes offering high views such as no navigable river ever gives; he mentions tunnels and recalls that the passage of the long and lofty aqueduct near Llangollen can yield a

shiver of fearful excitement. But the subject did not prove 'popular': there was not, and does not now seem to be, any really widespread interest or demand for the pleasure uses of canals, though the few enthusiasts are vociferous.

#### The Profitable Canals

Since a disproportionate share of this article has been given to uneconomic canals and contentious issues it should be emphasised that there seems to be no hostility from anyone to the maintenance of canals which are serving a real purpose in the economic life of the country, and the value of these canals is acknowledged. The best profit-makers are the Aire and Calder and the Sheffield and South Yorkshire Canals, but it is worth noting that the barely five-mile-long Hollinwood branch of the Ashton Canal returns profits of between £10,000 and £20,000 a year.

Nor has the Transport Commission been so reluctant to put money into the canals as some people have complained. In the years 1948-53, the Report states, well over £1,000,000 was spent on making good arrears of maintenance and another £500,000 on additional plant and equipment. During that period traffic increased by 30 per cent from 10 million tons a year to nearly 13 million tons, and the reduction of the deficit from £573,367 in 1951 to £102,060 in 1953 is cited as evidence of improved efficiency.

The Report is packed with facts and figures. It gives the impression of being fair-minded and objective except in so far as there may be some distaste for the idea of maintaining uneconomic waters with little or no prospect of a substantial increase in traffic. This particular distaste may be shared by large numbers of taxpayers.

## £1,000,000 For Science from Football Pool Profits

A LARGE number of scientific institutions and research projects will benefit from the profits made by the Norwegian State Football Pool last year. The profits are shared between science and sport. Of last year's record profits, science receives £1,060,000.

The Central Institute for Industrial Research, now under construction, receives £100,000, the Uni-

*From Press Bulletin (Norway)*

versity of Bergen receives £50,000 for a new oceanographical research vessel, the Institute for Atomic Energy receives £43,500, and the State research establishment for domestic science receives £7,000.

More than £600,000 goes to the research councils for technical, agricultural and general science, who in turn will make awards to individual scientific research workers.

## Economic Aspects of the Austrian State Treaty

AUSTRIA'S economic position under the Austrian State Treaty (signed in Vienna on May 15 by the Foreign Ministers of Austria and the Four Occupation Powers, France, Great Britain, the United States, and the Soviet Union) will be affected primarily by the withdrawal of occupation troops, the transfer of 'German assets' by the Soviet Union to Austrian control (within two months after ratification), and Austrian compensation payments to the Soviet Union, over a period of six to ten years, for the return of these assets. Ratification of the Treaty is expected to be completed by mid-summer; some important provisions will, however, become effective only within two or three months after ratification.

The occupation forces of the Four Powers are to be withdrawn within ninety days after the Treaty has been ratified, but in any case not later than December 31, 1955. The end of the occupation involves the loss of an important source of foreign exchange earnings. According to official Austrian estimates, foreign exchange receipts from the occupation forces amounted to the equivalent of US\$41 million in 1953 and US\$57 million in 1954; about \$30 million of the amount received in 1954 was in U.S. dollars.

#### Ransom to Russia—

Austria has to make payments to the Soviet Union totalling \$150 million over a period of six years (i.e., \$25 million a year) for the return of the so-called U.S.I.A. enterprises ('German assets'), excluding payments for the oilfields and the Danube Shipping Company. Pay-

ments are to be made by delivery of goods to the Soviet Union valued at current world market prices. The commodity composition of these unrequited exports is to be agreed upon in trade negotiations now under way. Also, a five-year trade agreement with the Soviet Union is to be negotiated.

The U.S.I.A. enterprises (Soviet administered industries in Austria) total about 400; this includes about 250 industrial enterprises, various commercial enterprises, and about 100 agricultural properties. Adequate information on the production and exports of these enterprises is lacking. According to reports in the Austrian press, the value of output of these enterprises last year was 550 million schillings (about \$20 million), and the value of their exports was 200 million schillings (about \$8 million). It is believed that many of these enterprises have been operating at a loss, that their equipment is run down, and that rehabilitation will necessitate considerable investment. Even though the potential economic capacity of the U.S.I.A. industries is probably greater than these estimates indicate, the industries are not expected to supply, for the time being, more than one third to one half of the unrequited exports of \$25 million a year.

#### —and Compensation

As compensation for the return of the oilfields and affiliated enterprises, Austria has to deliver 10 million metric tons of crude oil, in annual installments of 1 million tons. According to the Soviet authorities, the current output of the oil wells is

*From International Financial News Survey, June 10, 1955*

3.5 million tons. It is reported that in 1954 Austria received against schilling payments about 1.2 million tons of crude oil from the Soviet authorities and that this was sufficient to cover domestic demand; but oil consumption has been rising in Austria and domestic requirements are estimated to have increased to 1.5 million tons.

#### Oil Production

Austrian estimates indicate that between 700,000 and 1 million tons of crude oil may become available annually for export, provided that the annual production level of 3.5 million tons can be maintained. However, the Austrian oilfields may have been over-exploited in recent years, and it may not be feasible to produce as much in the future. Rough estimates of foreign exchange proceeds from future exports of crude oil range from \$14 million to \$19 million. The proceeds could be increased if refined products, such as petrol, were exported. Austria's refinery capacity is estimated at about 1.9 million tons.

Austria has to pay \$2 million for the return of the Danube Shipping Company, including ships and port installations in Austria. This non-recurrent payment will probably be made in cash. The Danube Shipping Company should be in a position (probably immediately) to earn some foreign exchange, particularly if trade between West European and Soviet bloc countries is expanded.

**Prospects of Trade with Russia**  
The prospects for an expansion of Austrian-Soviet trade are difficult to evaluate. Press reports indicate that the Soviet Union is interested primarily in investment goods, such as rolled steel and machinery. Some of these exports would be merely a

continuation of the exports previously supplied by the U.S.I.A. industries. The Soviet Union is also reported to be interested in additional crude oil imports (300,000 tons). The Austrian authorities, on the other hand, would prefer to deliver more manufactured consumer goods, such as textiles. The concentration of orders from the Soviet Union in certain investment goods industries that are already working at full capacity is undesirable from the Austrian point of view; the Austrian authorities hope to achieve an expansion of exports to goods from the domestic market and without reducing exports to the West.

In view of the lack of reliable data, current forecasts of the immediate effect of the Treaty on Austria's payments position are based on rather uncertain assumptions. The loss of receipts from the occupation forces on account of invisibles may be partly offset by increased earnings from the tourist trade and shipping services; but, in the short run, the loss of these earnings may adversely affect Austria's payments position, particularly on dollar account.

#### Financial Consequences

On the financial side, budget expenditures of 650 million schillings a year will be required for the purchase of \$25 million worth of goods, and an additional 52 million schillings (non-recurrent) to finance the payment of \$2 million for the return of the Danube Shipping Company. Other expenditures, the amount of which cannot be estimated at present, will result from the need for investments in the U.S.I.A. industries and the oilfields (especially for refineries and further exploration), and the cost of maintaining an Austrian army.

## Economic Aspects of German Reunification

*From a Special Correspondent*

SINCE the Kremlin announced its invitation to Chancellor Adenauer to visit Moscow, bankers, economists and businessmen all over the world have been busily examining the potential economic and financial implications of a later reunification of Germany. It seems to be generally assumed that German reunification may result in a change of the Continent's present balance of economic power, bringing in its train repercussions to markets the world over.

In the Federal Republic itself opinion is divided. Though—emotionally—reunification is the accepted goal for all, a large part of the business community is viewing its economic aspects with some apprehension. They realise that reunification necessitates an approximation of the two bodies economic which may well prove to be a rather costly—and risky—venture for the Federal Republic.

#### Labour Shortage?

The difficulties, it is thought, are likely to start on the labour front. Part of the considerable numbers of East German refugees who are working at present in the Federal Republic are likely to return to their former homes as soon as the Russians have left and the East German government resigned. That would mean a reversal of the East-West migration of population which has been in progress during the past quarter of a century. For the Federal Republic approaching, as it

is, conditions of full employment this may be a very serious matter. Skilled labour is already getting scarce. The big combines in the industrial centres in the Ruhr and in Wuerttemberg may soon feel the pinch if this scarcity is further aggravated through a change in the regional distribution of the labour force in favour of Eastern Germany.

#### Re-equipment of East

To the difficulties of maintaining production at its present level with a smaller complement of workers must be added the burden which will arise from the help the Federal Republic will be asked to give towards the re-equipment of the Eastern German plants after so many years of uninterrupted exploitation by the Russians. An appreciable supply of up-to-date machinery and of know-how—including skilled workers to train their Eastern fellow-countrymen in new processes and in the working of new mechanical devices—will be required. Capital, too, to pay for the modernisation of industry, will have to come from the Western German banks—or raised on the world markets with their help and probably guaranteed by them.

A further complicated problem arises from the fact that during the post-war years the Federal Republic's production potential has been greatly increased by the large number of factories built—and run—in the majority of cases most successfully—by persons or firms whose

*From The Statist, June 25, 1955*

seats of office were formerly in the Eastern zone of Germany. After reunification the very difficult decision will have to be taken either to try to maintain a productive capacity greatly in excess of the pre-war peak in Germany, or else to reduce it energetically. This is a problem with which in particular, among others, electrical engineering and the textile, paper and precision engineering industries will be faced. No wonder that part of the German businessmen are looking forward with little enthusiasm to what they fear may be a very difficult period.

#### Dr Erhard is Optimistic

In notable contrast to their misgivings are the views of Professor Erhard, the Federal Minister of Economics, who, as usual, remains a confirmed optimist. He is on record

as having said to this correspondent two years ago in Geneva that he is looking forward with the greatest interest and confidence to the task of bringing—after reunification—the two German bodies economic to a common denominator and is confident of great success in this respect before very long. That may well turn out to be so. Germany may emerge economically stronger after the initial difficulties of bringing together the two economic systems and re-establishing market economy in the Eastern zone are overcome. But the efforts to maintain the high production capacity may well lead to a further intensification of German competition for orders in the world markets. That would be a serious matter for British exports particularly if the German works succeed in further lowering their cost of production.

## U.S. Farm Exports Up, Imports Down

UNITED STATES agricultural exports continue to go up, while agricultural imports continue to go down, according to a report from the International Federation of Agricultural Producers.

Latest figures show American farm exports are running about nine per cent above last year. At the current rate, the present fiscal year will see close to \$3,200,000,000 worth of agricultural exports from United States. Farm imports are running about ten per cent behind last year. The July-February imports were valued at \$2,437,000,000. The July-February exports were valued at \$2,132,000,000.

For all commodities in the same period, United States imported \$6,553,000,000 and it exported \$9,687,000,000.

The U.S. credits better economic conditions abroad for its higher amount of farm exports. Sales for foreign currencies also are credited with helping to boost exports. Most commodity classes—cotton, tobacco, vegetable fats and oils, fruits and vegetables, and livestock products—continued to see higher exports. The major drop in farm imports has been in coffee.

## Trade Union Topics

### (1) RESTRICTIVE PRACTICES

THERE is much bandying about of the phrase 'restrictive practice' without definition, but with the suggestion that working men are perpetrating something sinister. These vague and general accusations come from politicians and are echoed in the Press.

There are some bad habits among all of us and there is resistance to new ideas and new methods on both sides of industry. There are customs and rules which began as job protection in bad times which might be dispensed with much more quickly. Changes can and should be brought about by joint discussion and agreement, but there is nothing to be gained by generalised abuse.

#### Throw Out Old Customs

The phrase 'restrictive practice' has become almost a 'cuss word'. Its continued use is to be deprecated if customs, the reasons for which have passed, are to be replaced by others more suitable to the present and future. The best answer to worn-out customs is not to patch them but to replace them with new ideas—this is shown in the new approach of the British Productivity Council which the T.U.C. helped to found and in which it takes an active part.

#### Effect of Full Employment

Conditions of full employment have made it easier for trade unions to place emphasis on increasing the size of the national income in con-

trast to their inevitable preoccupation before the war with a 'backs to the wall' defence of their standards.

This constructive outlook is not always shared by the membership. There is a natural reluctance to change from traditional methods of work and there is still a lingering fear that they may work themselves out of a job. There have been instances where the trade union official has attempted and failed to persuade his members to try out new methods of work. The main reason for this lies in the fact that relations are not nearly so good at the level of the undertaking as they are at the industry and national level.

#### Contradictions in Industry

Workers have good memories about bad conditions and there is little hope of them playing a co-operative role in the productivity field unless it is made abundantly clear that the management will give them a square deal and that they are not necessarily being called upon to work harder but to work more effectively.

It is a characteristic of this country that efficient and inefficient units of production exist almost side by side. This is an industrial phenomenon to which much more attention will have to be given. The productivity standards of very many firms must be improved and in conditions when alternative employment is available we should not lack the courage to

*From a broadcast by Sir Robert Alfred Roberts, March 30, 1955, published in 'Labour' for June 1955*

tackle this problem vigorously. Indeed, we must if full employment is to be maintained.

#### Men and Machines

We have reached the limit of available manpower—and there are, of course, limits to the capital and manpower the nation can afford for large scale re-equipment and rebuilding for industry, although in

my view those limits have not yet been reached.

The real problem, therefore, in planning for prosperity is to secure higher output both from new and existing machines, from existing manpower, materials, and workshops and to do it by co-operation—by enabling workers to feel that in some sense they are partners in the enterprise.

#### (2) U.S. FIRMS IN BRITAIN

STEADILY, and without any fuss, American big business is infiltrating into important sectors of the British economy. That the home-grown variety of big businessman is in two minds about this process is indicated by the title of an article, 'America's Silent Invasions', to be found in the November 1954 issue of *The Director*.

The process is not new, only the rate at which it is going on, and America's new position in the world have given it a new significance since the war. Many of the biggest and best-known firms in Britain—e.g., Kodak, Hoover, Heinz, Singer Sewing Machines, Thomas Hedley (Dreft, Tide, Daz, Fairy Soap, etc.), Ford, Vauxhall, Esso, Regent, Goodyear, Firestone, Bakelite, Monsanto Chemicals—are subsidiaries of giant U.S. corporations which were operating over here before the war.

Some measure of the influence America has obtained in certain British industries in the last few years is given in an article by John H. Dunning (*Financial Times*, 17.1.55).

Between 1943 and 1953 new private U.S. investment in Britain totalled \$550 million, of which the

bulk has been concentrated in the newer sectors of the engineering industry. Total U.S. private capital in this country was \$1,125 million in 1953, so it has doubled in the last ten years.

Dunning gives the following information on the share taken by U.S.-controlled companies in the total output of certain goods in Britain. (*See table on opposite page.*)

U.S. companies account for one-quarter of Britain's output of pharmaceuticals (Productivity Council report).

Dunning also mentions that two U.S. firms together with I.C.I. control all Britain's output of the important plastic P.V.C. (used for plastic raincoats, curtains, and many other purposes). U.S. firms also hold an important position in the production of antibiotics other than penicillin. U.S. engineering consultants have been largely responsible for the design and supervision of petroleum refinery construction in Britain since the war. Of the British instrument industry Dunning remarks: 'there are few major instrument manufacturers who are not either partly

*From Labour Research, June 1955*

	U.S. Companies' share of Britain's output	Per cent
Carbon black (for tyres) (Cabot, etc.)	...	well over 75
Office Machinery (Remington Rand, Nat. Cash Register, etc.)	...	well over 50
Combine harvesters and balers (International Harvester)	...	Over 50
Petrol and oils (Esso and Regent)	...	40
Excavating and earth-moving equipment (Euclid, Bucyrus, etc.)	...	...
Packaging and bottling machinery (General Motors, Frigidaire, etc.)	...	...
Washing machines (Hoover, Bendix, etc.)	...	...
Portable electric tools	...	...
Electric shavers (Remington Rand, Sunbeam, etc.)	...	...
		All over 33

NOTE.—Names of firms added by us—L.R.

American-financed, or producing under licence to a United States concern.

#### Anglo-American Autos

For the sake of completeness he might have mentioned that the old-established U.S. firms also play a big part in our economy. Ford and Vauxhall, for example, account for two out of every five cars and lorries produced in Britain. Singer (Sewing Machines) together with British (sic) United Shoe Machinery have the clothing and boot and shoe industries pretty well sewn up so far as equipment goes.

American subsidiaries take root and grow here, and they grow by reinvesting fat profits as well as by further injection of capital from the parent company in the U.S.A. The most glaring example is Ford Motor

Co., of Dagenham, whose £65 million for expansion—by far the largest scheme in the British motor industry—is to be financed entirely out of the enormous reserves accumulated by the company during the golden years of profit since the war. (All the other big motor manufacturers in Britain, incidentally, have had to raise fresh capital in the last few months.)

#### Why U.S. Invests in Britain

There is no doubt of Britain's attractiveness to U.S. capital. Out of a total of \$2,367 million U.S. direct investment in West European industry and commerce, at the end of 1953, no less than \$1,125 million—or 48 per cent of the West European total—were located in Britain. We are favoured with three or four

times more U.S. capital than either West Germany or France.

The reasons for U.S. direct investment overseas generally and in Britain particularly are clear enough. First, American trade unionists have won the highest rates in the world, American capital seeks cheaper labour overseas. Here the U.S. corporations find highly productive labour going relatively cheap—especially in Scotland. And Scotland has attracted American capital like a magnet since the war. *The Director* points out that:

'Lower labour costs in the U.K. more than off-set any advantages deriving from the use of better equipment and the larger turnover based on a much bigger American home market.'

### Big Profits

Second, and this is the real reason why capital searches for cheap labour, U.S. businesses abroad make big profits. According to the U.S. Department of Commerce (*Survey of Current Business*, November 1954) profits of U.S. companies in Britain totalled over £68 million in 1953. The average rate of return on U.S. capital in Britain was 16½ per cent, compared with an average return from all the \$16,304 million U.S. investments overseas of 13½ per cent. In fact Britain ranks with the Philippines in respect of profitability for the U.S. corporations. In France and Italy the rate of return is 10½ per cent and in West Germany the American trusts get a mere 8½ per cent. (Britain, however, cannot compare with the Middle East where the U.S. oil monopolies extract a 40 per cent profit, nor with some British colonies where U.S. capital reaps a 48 per cent return.) The profitability of U.S. operations in

Britain is well brought out by the accounts of Vauxhall and Ford Motors. The former makes £15 gross profit per worker per week, and the latter nearly £8. This compares with British Motor Corporation's less than £5 10s. and the other big motor concerns are mostly below that.

### Bogus Dollar Exports

Third, U.S. overseas subsidiaries often export back to the U.S.A. at a cheaper price than the parent company in the U.S.A. can produce at. Middle East Oil is the supreme example, but the U.S. Department of Commerce estimates that: 'Some 25 per cent of total exports to the United States by foreign countries is produced by United States direct investment companies abroad...'. *Dunning* mentions that one U.S. company in Britain manufactures its world output of noiseless typewriters here, and another exports to the U.S.A. a large proportion of its output of calculating machines. To these examples of spurious 'dollar exports' from Britain one could add washing machines and motor cars.

Fourth, in a period when most countries are operating stringent regulations against dollar imports, subsidiaries in overseas countries provide the bases from which the U.S. industry can penetrate world markets. Britain is especially important to U.S. capital as a way into Empire markets. From their British-based factories the giant American companies pour cars, chemicals, business machinery, earth-moving equipment, agricultural machinery and domestic appliances into Australia, New Zealand, South Africa and other of Britain's biggest markets.

American business in Britain is expanding faster than ever. Having

referred to the very large expansion plans of Ford and Vauxhall, *The Director* goes on to say that 'though little may have been heard on this side of the Atlantic, other weighty decisions have been made in the U.S.

in recent months and many more have still to be made'.

We are fast reaching the position where decisions which vitally affect important sectors of our economy are taken on the other side of the Atlantic.

## The Strike Ballot

For almost a generation, unheeded pundits have preached that the steady diminution of proportional pay reward between skilled and unskilled workers could only lead to two things—a reluctance in the worker to become skilled and an eventual antagonism within the unions between the skilled worker and his unskilled associates. These unheeded prognostications are now verified by the situation in which the nation is plunged.

In a time of over-full employment there is a dearth of skilled men, and what skilled men there are suffer a sense of grievance that their skill is inadequately rewarded in comparison with the remuneration of the unskilled. After all the ballyhoo about 'Fair Shares'—a slogan first given popularity in war-time by Lord Woolton but quickly commandeered by the Socialists—what emerges is a stoppage at the docks because shares of power are felt by different unions to be unfair and a stoppage of rail transport because shares of remuneration are felt to be unfair.

The only comfort to be derived by the social philosopher is that we are seeing proof that, despite the prevail-

ence of Bevanism, the temperament of the British worker is antipathetic to *egalitarianism*. For the political statesman there is no comfort at all. All he knows is that, just when the chariot of national prosperity seemed again to be hitched to a star, the sectional unions have cut the traces and that that chariot, carrying John Bull and his fortunes, is being man-handled by the malcontents back to the edge of the abyss where in 1945 the Socialists left it.

### Trade Union Reform Needed

Under the stress and apprehension caused by the conjoint stoppages both the community and the Government are now disposed to press for one thing long ago declared by this journal to be essential if the economic fabric is not to be rent by recurring stoppages, some mistakenly and some irresponsibly created, some the result of official, others of unofficial strikes. That essential is a reform of the trades unions' individual and collective constitution to make necessary a secret ballot of all members before any strike action can be threatened or used. So persistently has this safeguard been urged in these columns

that to regular readers its iteration and reiteration may have become tedious, but only under the pressure of vicious events has its acceptance in other quarters belatedly been signified. As has so often here been said, it is a reform difficult for an Administration to enforce through legislation without political and social danger. Those very powerful elements in trade union politics who ardently desire to leave strike power where it now lies, that is with the executives or with glamorous rebels, have ostensibly a strong case in opposing the introduction of a strike ballot.

In the first place, how a trade union or the T.U.C. functions is a matter for nobody but trade unionists, as long as there is no breach of legality, as there was in 1926. In the second place, the mass of trade unionists elect their leaders. That being so, why should the elected leaders be subject to a referendum, particularly on action which for its effect may rely largely on promptitude? In Parliamentary politics the nation has always rejected the system of referendum; why should it be imposed upon trade union politics?

To answer this case by saying that trade union executives are chosen by but a small vocal and active minority is not sufficient. If the mass of trade union membership is too apathetic to attend meetings and lodges, if it leaves major matters such as the choice of leaders to such minorities, why should it be any more active when a strike is under ballot? In any event, 'silence assumes assent'. If the mass leaves the minorities to rule, it must be assumed that the minorities satisfy it. For a Government to try to enforce strike ballots might well cause bitter resentment amongst trade union leaders whose capacity

would thus be challenged and whose power would be thus limited, and might well lead to equally active resentment amongst the rank and file as an unwarranted trespass into the private affairs of quite legal organisations.

### Lead from the Top

The reform, it would seem, must come from within the unions. But if the rank and file are too apathetic to watch closely the election of executives and the day-to-day administration of their affairs, what chance can there be of any spontaneous request or support for such a reform? The initiation of such a reform, it would thus seem, must come from the top level—not from the trade union officials but from the leaders of the leaders at Transport House, the officials not of the individual unions as such, but of the T.U.C.

Even so, other troubles arise in prospect. Were the compulsory strike ballot adopted tomorrow, what guarantee is there that it would be a straight ballot, not crooked in the sense of the results being rigged by malevolent, interested parties—which would be a libellous suggestion—but in the sense that from a desire for solidarity many workers would vote against their innermost conviction, or would do so from loyalty to the leadership suggesting a strike? And if the ballot proved heavily in favour of strike action, how would continuing negotiations be affected? The strike once entered upon, would its cessation also be subject to ballot?

### Try the Ballot

Even admitting all these hesitations and doubts, the inauguration of the ballot would still seem the *desideratum*, and not least from the

point of view of the responsible leaders of the trade union movement, whether operation *qua* T.U.C. or as the policy directors of individual unions. It would certainly curb those strike callers whose motive is suspect of a foreign mischievous origin. It would certainly protect the trade unionists from the follies of their own emotionalism, for it is no denigration of the average worker to say that in industrial disputes the heart too often governs the head. When class hatred has been sedulously preached for a

century, it is apt to conquer rationality and override even immediate self-interest. At the least, the ballot is worth trying, if the trade unionists can be persuaded to adopt it. Other reforms are also needed. A step towards them would be the calling of a triple conference—the T.U.C., the Employers' Federations and the State—to consider the whole of our industrial relations. Talks at the top level are the vogue in international relations; they would be equally useful in home affairs.

## Welfare?

BY PAUL DERRICK

The capitalist system is characterised by the concentration of property in the hands of a relatively small number of people. In 1938, 55 per cent of the private property in Britain was owned by 1 per cent of the population. Though there has since been a considerable redistribution of the national income there has not been any substantial change in the distribution of property.

This concentration of property in few hands is itself destructive of personal freedom and responsibility, since most people are compelled to hire themselves out for a wage instead of working with their own resources as responsible producers.

But it has had two consequences which have further restricted freedom and undermined the independence of the individual. The first is the extension of State control over industry, the planned economy. The second is the increased dependence

of the individual upon the State, the Welfare State. Both are welcomed, with varying degrees of enthusiasm, by all three political parties.

### 'Where Wealth Accumulates'

The extension of State control over industry is to some extent due to Socialist propaganda; but it is also due to the strains caused by the concentration of property in few hands.

For this concentration of property necessarily tends to make money accumulate in the hands of people and corporations that do not wish to buy the products of industry.

### Deflation—

For a time money so accumulated will be reinvested, but when the demand for capital declines it is hoarded with deflationary consequences. Idle money accumulates in the hands of the Banks and of wealthy individuals and corporations, so that

there is insufficient left in the hands of the consuming public to buy the product of industry at a price which will cover the costs of production. Current prices fall below past costs and there is depression and unemployment.

#### —and Inflation

Governments seek to maintain full employment by deficit expenditure and by public enterprise and the extension of State control over industry. The deficit expenditure leads to inflation and has an adverse effect upon the distribution of manpower, because men are attracted into non-essential industries. Moreover inflationary pressure makes necessary extensive price and other controls in addition to the direct controls through which the State seeks to plan the development of industry. Further, the periodic deficiency in demand, which results from the concentration of property in few hands, encourages the formation of cartels and monopolies for the purpose of restricting supply.

#### Like muck

The right way to maintain full employment is not to extend State control over industry but to distribute property so that demand and employment can be maintained without inflation. If we make as many people as possible owners of the productive resources with which they work, the bureaucratic system of controls, which has been developing during the last fifty years, will become unnecessary. For the market will be able to absorb as much as the people can produce.

Parallel with the growth of State control over industry is the tendency for the individual to be made increasingly dependent upon the State.

As Belloc pointed out long ago in *The Servile State*, this is the necessary effect of Socialist propaganda upon a capitalist economy. Finding that the nationalisation of the means of production, distribution and exchange is a very much more formidable task than they had imagined, Socialists tend to concentrate first upon the extension of State control and the development of a planned economy and secondly upon the concentration not of property, but of income in the hands of the State so that it may be distributed more equitably.

#### Taxes and Benefits

The British Government today collects more than 40 per cent of the whole national income in taxation of one kind and another and, after meeting very considerable administrative costs, distributes a large part of it in benefits of one kind and another. We have a comprehensive and compulsory system of State education so that most parents cannot afford to educate their children as they wish. To an increasing extent we are having to live in houses financed by the State and owned by the local authorities. We have a comprehensive system of Health and Unemployment Insurance run by the State. Its work is supplemented by a National Assistance Board and by a comprehensive system of pensions and family allowances and cost-of-living subsidies such as those on food, utility clothing and housing. And we have a National Health Service run by the State. The structure of the Welfare State is, in fact, nearly complete.

#### Destruction of Liberty

The Socialists, whose insistent demands for sufficiency and security

have done so much to create the Welfare State, are not really interested in the fact that it involves the destruction of liberty. The Trade Unions, indeed, resisted the introduction of the Direction of Labour, and many supporters of the Labour Party opposed it. But it is a necessary consequence of the Welfare State. As income becomes less and less dependent upon work, so it becomes increasingly necessary to use compulsion to get people to work.

Belloc wrote *The Servile State* when compulsory Health and Unemployment Insurance was first being introduced. He drew attention to the distinction drawn between employers and employees under compulsory insurance and declared that it marked the beginning of the imposition of a servile status upon the latter. Today practically everyone is required to pay insurance contributions but that does not in any way alter the validity of Belloc's analysis. The distinction between employers and employees remains. The fact

that employers and 'self-employed persons' and 'non-employed persons' are now required to pay contributions makes very little difference; the managers are, in any case, employees like their workers, and employers have always paid their share. The basic fact is that those who do not own the means of production are more and more being required to work for those who do.

#### Need for Compulsion

As the Welfare State becomes more comprehensive, incentive becomes less and less effective and the compulsory element has to be extended. As Belloc saw so clearly, the Welfare State must necessarily lead to the Servile State. A system which involves the establishment of compulsory labour legally enforceable on those who do not own the means of production for the advantage of those who do is, by definition, a servile system. If we do not restore the institution of property we must restore the institution of slavery.

## U.S. Surplus Deals Worry Canada

CANADIAN Trade and Commerce Minister C. D. Howe has severely criticized United States for making special deals to sell farm surpluses for export. Mr Howe told Canadian M.P.s that Canada was losing some of her small markets like Israel and Norway because of the U.S. surplus deals, which have been pushed to the point in recent months where commercial markets are being disturbed. He warned that Canada should not get into a giveaway war on wheat or other surpluses.

## Australian Manufacturing Survey

THE Department of National Development of the Australian Commonwealth Government released in May a further Survey of Manufacturing Activity.

It is based on interviews with selected industrialists and others in all States of the Commonwealth, the sample being chosen to cover those firms and industries which are likely to show early evidence of significant trends and changing conditions. By this means, it is aimed to provide a barometer of the manufacturing climate for the guidance both of Commonwealth Government Departments and businessmen planning programmes for production, sales or investment.

### Sample Survey

Industries chosen for survey employ somewhat less than half the total number of persons in manufacturing. The coverage within the samples taken ranges from 100 per cent in industries concentrated in the hands of a few companies to 20 per cent or less in industries consisting of a large number of small firms. As a general rule, a representative sample covering about 50 per cent of each industry was attempted.

### General and Particular

The Survey is in two sections, viz. —a General Report and a series of Reports on Selected Industries. The General Report is a concise account of the conclusions drawn from the survey. The Reports on Selected Industries Section embodies the more important industry studies upon which the General Report is based and includes much up-to-date and detailed information.

The Survey emphasises the importance to the people of Australia of prosperous manufacturing industries. Australian factories now employ over one million people and are using £161,000,000 or 19 per cent of the total advances made by the Dominion's Banking System.

Manufacturing industry continues to expand, and during the half year covered by the Survey the volume of production was a record.

### Personnel—

The Survey shows that in the half year just concluded reasonably adequate supplies of most materials have been available and that, although there has been a chronic shortage of skilled labour, the difficulty of obtaining unskilled labour eased somewhat. Trading conditions have resulted in increased competition forcing some industries to absorb higher costs.

### —and Matériel

Steel, which is in short supply from local production, is now proving more difficult to obtain overseas. About one ton in every five tons used is imported.

The prosperity of an important part of manufacturing industry can be ascribed to the boom in hire purchase business. During 1954 there was an increase of one-third in the total value of new hire purchase agreements.

The Survey discusses the effect on costs of price rises in some materials and of increases in wage margins for skilled workers. Materials which have increased in price include *inter alia* Australian merchant steel (9

per cent), copper (40 per cent), Oregon timber (10 per cent), raw rubber (13 per cent), and leather (5 per cent).

### Wage Increases

Increased wage margins have increased costs. The increase varies from industry to industry and is influenced by the degree of mechanisation and the resultant proportion which wages bear to total manufacturing costs.

Most manufacturers quoted a rise of approximately 3 per cent to 4 per cent in labour costs, but there were wide variations.

In the engineering industries wage increases alone have raised total costs by amounts ranging from 2 per cent to as much as 5 per cent. Combined with higher material costs, this has led to price increases of from between 5 per cent and 10 per cent for numerous heavy engineering products.

Frequently the product of one factory is the material upon which the next manufacturer operates. Where the effect of price rises is cumulative in this way it may take some time for the result to become fully apparent.

Fortunately for the man in the street, the largest price increases so far experienced have been in investment goods rather than in items entering into every-day consumption.

### General Impression

The survey leaves the impression that Australian manufacturing industry is achieving an increasingly high rate of activity and that although costs have risen, so far progress has not been halted thereby. It is also evident that despite the progress made there are still many opportunities for new investment for both overseas and Australian manufacturers.

## New Zealand Monetary Commission

THE Monetary Commission which the Government has set up because of its concern at the surprisingly large vote of the Social Credit Party has so far been noteworthy for the gruelling cross-examination by Dr O. C. Mazengarb, Q.C., of the Governor of the Reserve Bank, Mr Fussell, and the Secretary to the Treasury, Mr Ashwin. Their answers will no doubt be used as ammunition by the Labour and Social Credit Parties. Some of the replies indicate

that the Government, not perhaps to the same extent, has been using financial methods akin to the Labour Government, and they are inflationary.

The order of reference for the Commission is 'to inquire into, and report upon, representations regarding any monetary, banking, and credit proposals that may be suggested as suitable for application in New Zealand; the present monetary, banking and credit system of New

*From The Wellington Correspondent, The Chamber of Commerce Journal, July 1955*

Zealand and the advisability or otherwise of any changes in that system; any associated matters . . . The end in view is 'fostering a greater degree of stability in prices, maintaining full employment of labour, ensuring the healthy development of natural resources, and promoting generally the economic, financial, and social welfare of the people of New Zealand'.

#### Interest Rates

The Secretary of the Treasury, Mr Ashwin, has stated that 'it is desirable that interest rates in New Zealand should not move too far out of line with rates of interest ruling overseas'.

The Federation of Labour, through its President, Mr F. P. Walsh, is seeking to convince the Monetary Commission of a scheme to preserve the buying power of savings. It aims to make provision to enable a depositor, upon the withdrawal of his deposit, say, three years later, to receive money of the same purchasing power as had originally been deposited or invested, besides the interest already paid. Mr Walsh claimed that this deterioration in value arose out of the Government's use of bank credit.

The Federation, too, wants an immediate start by the Government with the P.A.Y.E. system of taxation. Mr Walsh said it would be an immediate disinflationary measure and would assist in bringing about economic stability.

#### The Crux

Mr Ashwin says that to pay the same value £ in the future is impossible, and, he said, it was no use promising the impossible. 'New Zealand', he added, 'is more susceptible

than most countries to the effects of economic happenings abroad.'

He also said that if 10 per cent of the workers could be transferred from the creation of capital works to the creation of consumer goods, the importation of consumer goods could cease, and the economy would be better balanced. Bidding for labour by capital works and factories was pushing up costs, and the pressure on commodities was leading to a tendency to over-import. The crux of the country's economic problems was the fact that more money was needed for capital works than the people were willing to save. There was plenty of money in circulation, but people wanted to spend it on consumer goods rather than save it.

#### Stability and Co-operation

He defined economic stability as: 'A state where we had full use of our resources, without over-employment, and without pressure on our overseas funds. Without world economic stability, however, true economic stability could not be achieved in New Zealand.'

The Governor of the Reserve Bank holds that the long-term prospects for New Zealand as a primary producing country are excellent. He said that no alteration in the exchange rate was in prospect. He added that membership of the International Monetary Fund could not ensure domestic stability of a country.

He said also that a pay-as-you-earn system of taxation would be 'a great blessing indeed', if administratively possible. It would be a tremendous convenience to the individual and the banks.

He said that by not joining the International Monetary Fund New Zealand lost the opportunity of

helping the United Kingdom and other Commonwealth countries to do the good they were trying to do,

and of reinforcing the voting power of the Commonwealth on the Monetary Fund Board.

## New Possibilities for East-West Trade?

### What the German Economy Expects of Geneva and Moscow

As a result of the Federal Chancellor's invitation to Moscow it is expected that the government agencies which are concerned with eastern trade will in the near future considerably gain in importance. Thus it is likely that, above all, the eastern departments at the Foreign Office and the Ministry of Economics will be expanded. Since the Soviet Union's capacity to deliver is an uncertain factor and most likely restricted, German economic circles interested in eastern trade see a possibility of obtaining under certain circumstances American credits for German deliveries to Russia. Such West, might also serve to dispel apprehensions concerning the Federal Republic's growing orientation towards the East.

#### Transit Trade

Bonn is also interested in the possible growth of transit trade passing on its way to the East through the Federal Republic and in this connection opportunities are seen for American surplus goods. It is a well-known fact that strong pressure is being exercised by private

circles as well as by numerous states on the U.S.A. to free the east-west trade from part of the restrictions imposed on it in the course of the cold war. Already now there are some chances that liberalisation of the east-west trade will be put on the agenda for the Geneva discussions.

A certain impetus to Germany's trade with the East may be expected if the foreign political situation between the U.S.A. and Soviet Russia is clarified and the new contacts are established between the two countries. Up till now narrow limits were set to the trade with Russia because of lacking possibilities to finance it on a major scale and also for reasons of commercial policy.

The abolishment of the east embargo might result in German exports to Soviet Russia gradually attaining the volume of German imports from Russia. The Federal Republic's exports to the East rose in 1954 to DM 522.6 million (1953—DM 460.8 million). The imports from the East bloc countries increased to DM 512.5 million (1953—DM 4.195 million). Exports to Soviet Russia rose to 52.8 million (1953—7.1 million), imports to DM 93.1 million (1953—65.7 million).

From *Deutsche Korrespondenz*, Bonn, July 2, 1955

## Some Big British Investment Programmes

THE NATIONAL COAL BOARD is engaged in a large investment programme involving reconstruction of more than 250 existing collieries and the development of some 20 new deep mines as well as 50 surface mines. The current annual rate of investment is about £90 million, and is expected to increase to £100 million during the next two or three years.

THE GAS COUNCIL plans to invest £346 million in the seven years 1953 to 1959, of which roughly half will go into gas producing plant.

THE CENTRAL ELECTRICITY AUTHORITY expects to invest £1,421 million between 1953 and 1960, representing roughly £200 million each year, and including £742 million in new generating plant, £152 million in main transmission lines, etc., and the balance largely in giving supplies to consumers through the Area Electricity Boards.

THE ATOMIC ENERGY AUTHORITY has under construction its first reactor to supply current for the grid, at Calder Hall, and this will cost £15-20 million. Work will start on two entirely commercial plants of roughly the same type in 1957 (taking three years to complete) and on two more stations of rather higher output in 1958-9. Over the next ten years the Authority's total capital expenditure is estimated at £300 million.

RAIL AND ROAD.—The British Transport Commission has announced a £1,200 million scheme to modernise the railways over the next

15 years. At the moment expenditure is in the region of £70 million a year. For the four financial years 1955-1959 the Central Government has so far authorised the spending of £158 million on road construction.

THE STEEL INDUSTRY aims to have spent £300 million between 1953 and 1958 under its Second Development Plan, thus raising the output of crude steel to 22.2 million tons by 1958. Out of the total, £34 million would be spent on coke ovens, £75 million on raw materials handling and treatment and blast furnaces, and £90 million on mills and finishing.

IN THE CHEMICAL INDUSTRY, the report of I.C.I. for 1954 states that the company spent £34 million on new fixed assets in the year, making a total of £190 million since the war, and that £18.4 million of commitments remain. Plants under construction cover terylene, perspex, polythene, titanium, and sulphuric acid from anhydrite—all of which may be ready in 1955—and nylon polymer, silicose, pentactrythritol, and butadiene products. It is also reported that Monsanto Chemicals, the United Sulphuric Acid Corporation and the British Oxygen Company will each spend about £5 million on capital projects in the next year or so.

IN THE MOTOR INDUSTRY, the five largest organisations have announced major schemes in the last few months. The British Motor Corporation aim to raise output to 2,500 vehicles a day in 18 months' time. Both the Ford Motor Company and Vauxhall Motors have 5-year

*From Bulletin for Industry, June 1955*

programmes, which will cost them £65 million and £36 million respectively, and the Rootes Group have a £10 million programme. Standard

Motors envisage an annual output of 100,000 vehicles and 60,000 tractors after their current reorganisation.

## Central Bank in Central Africa

THE BILL detailing proposals for the establishment of the Bank of Rhodesia and Nyasaland will be presented to the Federal Parliament early next year, and the new bank should open its doors by March, 1957. This was reported to a meeting of the Salisbury Chamber of Industries on May 25 by the bank's governor designate, Mr A. P. Graftey-Smith.

### State Ownership

Explaining that the bank would not have private shareholders, he said: 'I think we must say that we shall have a State-owned central bank. That does not particularly bother me. I do not think the degree of State interference would be less if we had private shareholders than if we did not. The bank represents a new departure in the financial affairs of the Federation, and will be analogous to the Bank of England.'

Dealing generally with the function of a central bank of this kind, particularly in relation to the Federation, Mr Graftey-Smith stressed that it would not enter the field of the commercial banks, and must not be regarded as 'a lender of last resort'. Mr Graftey-Smith expressed the view that an industrial development bank would follow the establishment of a central bank, but

added: 'To my way of thinking, no development bank can exist with any feeling of safety without a central bank standing behind it. That is certainly true of the National Finance Corporation in the Union of South Africa.'

### Bank and State

The right of note issue would be vested in the new bank, he said, and would pass from the hands of the Currency Board. It would fulfil the function of banker, agent and adviser to the Government. Giving an example of the relationship between the bank and the Government, he explained: 'It should be the relationship of a well-disciplined wife to her husband. She should be in a strong position to give independent advice and to nag in private, but not to dictate, even on matters where she is an expert.' The new bank would run a clearing house, which meant that commercial banks would no longer have to clear through London by draft or telegraphic transfer, which was clumsy and difficult. It should also strive to build up a reserve in good years against demand in bad years. 'We cannot possibly afford to run the risk of one of our great staples like copper going wrong', said Mr Graftey-Smith, 'and our reserves running out.'

*From Newsletter issued by The Federation of Rhodesia and Nyasaland*

## The Saar Statute and the Saar's Economy

*'The continental nature of our industrial basin signifies dependence of the Saar market on the European inland.'*

THE Saar's Chamber of Commerce has published a memorandum entitled: 'What effects will the economic provisions of the Saar statute of October 23, 1954 have on Saar economy?' This 60-page exposé is not only a list of the Saar's wishes but also a presentation of suggestions and solutions for many of the problems arising from the economic terms of articles 11 and 12 of the Saar accord.

### Satisfactory Development—

The record proceeds from the fact that the Saar economy finds itself at the present in a state of development which is the result of the Franco-Saar economic union of 1948. This development has continued in a satisfactory manner and at the end of 1954 reached a favourable position as regards employment and production. The number of employed in 1954 reached a record high of 317,259 of which number 66,613 were miners, 38,666 were employed in heavy industry and 61,000 were occupied in other industrial branches.

The total turnover of the Saar economy in 1954 amounted to 700 billion francs of which some one-half came from industry. The coal mines produced 16.8 million tons of coal and the iron and steel mills reached a new post-war record of 2.75 million tons. The end of 1954 also saw a new production rise in the manufacturing industry.

On the whole it can be stated that the coupling of the Saar economy

with the French market contributed in a great measure to the needs of the Saar, and the Saar firms in their turn familiarised themselves with and made good use of this market.

### —or not?

If it is true that the present state of the Saar cannot be designated as completely satisfactory, then it is attributable to the history of the Saar economy. This shows that if the Saar is tied to practically only one of its neighbouring economies, then full employment and a satisfactory market for Saar industrial produce can be attained only in anomalous circumstances. This is concretely explained by the geographical situation of the region and by its inner structure. The Saar basin, with its continental nature, is, speaking from the communications point of view, most unfavourably situated in relation to the seaports. That is why she is dependent for her market on the European inland; that is on those areas which can be reached most favourably considering distance, means of communication and degree of competition.

### Ties with France

In the long run France is the only natural market, which, according to its power and desire of assimilation and according to the employment situation of its own industries, is able to absorb a more or less greater part of Saar products. The size of this indispensable market can be estimated alone from the fact that over

*From The Saar, June 1955*

50 per cent of the Saar's manufacturing produce flows to France. The other market is the South-Germany area, which protrudes in an easterly direction and which can be served in an advantageous economic way.

### European Framework

This is the key problem of Saar economy. According to its geographical position, this industrial region—a borderland for France and Germany, but for the West Europe inland area a connective central point with natural radii in all

directions—should be provided with an adequate frame for far-reaching economic efficacy, enclosing France, Germany and the Saar.

The Franco-German agreements have in this connection apparently opened a promising path. The Chamber therefore welcomes the accord of October 23, 1954 and extends its hand to the contractual parties, thereby offering to do its share, with the means at its disposal, to help put the principles of the Paris agreements into practice.

## A Time for Commonwealth Action

INSIDE the Commonwealth there are wide differences of outlook on international affairs. That is amply demonstrated by our current series of articles on the foreign policies being pursued by the self-governing members.

Yet on economic and financial policy there is not only broad agreement but a recognition of a common cause. That cause, in essence, is the strengthening of the sterling area. There is no other answer to the dollar problem.

As long as the economy of the U.S.A. stays on an even keel, the Commonwealth countries can go forward with strengthening their own economic defences. At present the news from America is encouraging. Mr Howard C. Sheperd, Chairman of the Board of the First National City Bank of New York, has just told the American Chamber of Commerce in London that 'production is back to the peaks of two years ago, and the end flow of goods

and services to consumers is at the highest level in history'.

### Wider Yet

American businessmen, he added, were 'again raising their investment plans and talking the language of expansion' and the rise in business activity was 'almost certain to bring about an increase in our merchandise imports'.

Considering that only a year ago the American recession was at its lowest point, this is an impressive recovery. (It appears that now the 'recession' is over it can be described as such.) The fact that (again in Mr Sheperd's words) 'the recession never had a chance to spiral' is encouraging evidence that the lessons of the past have been learnt.

### Vulnerable Sterling

Yet the countries of the Commonwealth would be wise to recall that even the very threat of that moderate recession a year ago was sufficient to

*From New Commonwealth, May 30, 1955*

induce alarm in the sterling area. And Mr Sheperd himself warned that whilst the present American boom should be very good news to the rest of the world 'it would be a mistake to over-estimate its short-run helpful effects'.

#### Inadequate Machinery

The lesson for the Commonwealth is that there should be no slackening in the endeavour to strengthen the sterling area's ability to withstand the movements of the United States economy. The present stability of that economy should be a spur to action, not an inducement to relax. The 'gentlemen's agreement' over restraint in dollar expenditure is not enough. An increase in the productive capacity of the Commonwealth countries is the corollary to restraint.

There is nothing new in this. It has been heartily subscribed to by all whose economic prospects depend on a healthy £.

What is in doubt is the adequacy of the machinery for sterling co-operation. In *The Multi-Racial Commonwealth* Nicholas Mansergh, the Smuts Professor of the History of the British Commonwealth, points out that there was much criticism and co-machinery for consultation and co-operation at last year's Unofficial Commonwealth Relations Conference.

One proposal at the Conference was for a permanent organisation of the sterling area countries 'for the twofold purpose of maintaining a continuous review of the dollar problem and of concerting long-term plans of economic development'. The organisation, it was suggested, should consist of a committee in more or less continuous session, a committee of high level officials meeting at quar-

terly intervals in different countries, and ministerial meetings.

#### Continuity of Co-operation

This would certainly be an advance along the right lines, avoiding the general dislike of supranational machinery empowered to take decisions, and yet introducing that continuity of co-operation which is at present lacking. It is an astonishing fact that despite the identity of interests of Commonwealth countries, six months elapsed at the time of the 1951-52 crisis before a Finance Ministers' Conference could meet to arrange measures to check the slide in sterling area resources.

The concerting of the various plans for development, the maintenance—indeed the increase—of intra-Commonwealth trade, the co-ordination of financial policies, prompt and adequate dissemination of information—all these are factors on which the prosperity of the Commonwealth depends. Yet time and again there is evidence that consultation in regard to them—let alone co-operation—is lacking, or at best insufficient.

A great deal of talk has been heard on these matters, but talk will not strengthen the sterling area. Let it be plainly faced that the real obstacle is the suspicion that closer consultation and co-operation will lead to outside interference in the affairs of individual countries—or at the least to the reluctant revelation of confidential policies.

There is no real substance in such a suspicion. It simply reflects a lack of mutual confidence that is strange indeed amongst people who indubitably will sink or swim together. Now is the time for the crew of the sterling area ship to show that confidence—not when the ship is in danger of being swamped by economic storms.

## Oil Resources of East-Central Europe

BY DAMIAN S. WANDYDZ

During the last war a federation of East-Central Europe was discussed in London among exiles from that region. In one of the articles in *The Economist* on the subject the question was put as to which element will speak more strongly for this federation, economic or political. *The Economist* answered this question, contrary to expectations, in favour of the predominance of the political side, stating briefly '*politique d'abord*'. It is possible that this assumption was correct. There is no doubt, however, that keeping the federation going and its further development would have to depend very much on the solution of economic problems. This article will discuss one of them, namely the oil resources of East-Central Europe.

#### Pre-war—

The demand for oil products was much lower in this part of Europe than in Western Europe before the last war, and it depended on the degree of industrialisation of each country concerned and on the standard of living. The consumption of oil products in 1938 in some of the countries reached the following averages per head of population:

	Kilograms
Czechoslovakia	38
Hungary	27
Poland	12
Yugoslavia	10
Roumania	88

The Roumanian figure, however,

must be explained. Of the total of 88 kilograms, 60 apply to the remains after the distillation of oil, which are used for heating purposes. Actual consumption of oil products in Roumania in 1938 can be estimated at 28 kilograms per head.

#### —and Future Consumption

For estimating the future consumption of oil the best way seems to be to accept as a basis hypothetical figures and to analyse them. Considering the mechanisation of agriculture and the quick pace of industrialisation of the region it can be assumed with some optimism that in a foreseeable future consumption will rise from the low pre-war figures to the average German pre-war figure, which was 70 kilograms per head of population. Considering the total population of the region as being 80 million inhabitants, the demand for oil in the whole region will be some 5.6 million tons per year. The next question is how this demand can be satisfied.

It is a well-known fact that Europe is handicapped with regard to oil resources. The participation of Europe in the world production of oil reached 22 per cent in 1914, 13 per cent in 1939, 8.4 per cent in 1949 and 9.5 per cent in 1953. Should the Russian production be disregarded, the share of Europe diminished in the above mentioned years from 5 to 2.8, 1.7 and 1.9 per cent. This European production was divided among the countries concerned in the following way. (See table on page overleaf.)

From *The Central European Federalist*, New York, May 1955

	(in 1,000 metric tons)				
	1914	1939	1949	1953	
Albania	—	133	312	140	
Austria	—	177	1,460	2,930	
Czechoslovakia	—	11	47	107	
England	—	—	48	58	
France	—	71	59	305	
Germany	110	641	849	2,215	
Holland	—	—	616	814	
Hungary	—	158	541	500	
Italy	6	13	10	93	
Poland	919	557	161	250	
Roumania	1,832	6,251	4,810	4,860	
Yugoslavia	—	1	67	210	

In 1939 the output of the region represented 85.5 per cent of the European total; in 1949 Western Europe improved its position to 33 per cent of the European total, and by 1953 the share of Western Europe rose to 52 per cent, while Albania, Yugoslavia, Czechoslovakia, Hungary, Poland and Roumania produced together only 48 per cent of European oil (the Soviet Union not included). Data regarding the region should be considered as expressing the trend, but not as final statistical data. It can be stated, however, that at present East-Central Europe is self-sufficient from the viewpoint of oil needs.

This situation varies in the different countries of the region. Albania was mentioned for the first time in oil production statistics in 1933 with an output of 1,600 metric tons; in 1939 production rose to 133,000 metric tons. The post-war figures are rather confusing. Albania is considered to be a promising territory with regard to oil production. Contrary to this, Czechoslovakia, quite independently of a certain rise in production during the post-war years,

#### Hungary comes Second

Hungary is an even younger oil-producing country than Albania. It is mentioned in the world oil statistics

for the first time in 1937 with an output of 2,500 metric tons. A big jump in production resulted in 1944 with the total figure of 850,000 metric tons. This record was never repeated and oil production in Hungary shows a downward trend. Nevertheless, Hungary still takes second place in oil production of the region.

Roumania, too, belongs to the oldest oil-producing countries in the world. The best output figure was achieved in 1936 with 9 million metric tons. From that year on the output figures went down, to 5 million tons in 1953. The resources show signs of draining, but intensive production may increase present figures.

#### Yugoslavia enters the Field

Yugoslavia is the youngest producer in the region. Drilling efforts accounted for the rise in production from 1,000 metric tons in 1939 to 200,000 in 1952. These excellent results should not, however, create hopes for a steady rise of production in the future.

It can be stated that in none of the countries under discussion are there oil wells in existence which indicate permanent and large-scale oil production similar to that of the Near East or even Austria. In the old oil-producing countries of the region, like Roumania, wells are to a great degree exhausted and new ones have not yet been discovered. Other countries obtain quite good results considering their natural resources, but they cannot seriously influence the output of the whole region. All rises in the production figures are a result of substantial drilling efforts. Production plans contain rather optimistic figures and, if one adds them all up, the production of the region would grow to some 12 or 13

million metric tons annually during the next few years. It seems doubtful, however, that such results can be achieved.

At present three countries, namely Czechoslovakia, Poland and Yugoslavia, show oil deficits. Albania has a small surplus resulting from very low consumption. Hungary also has a limited surplus, and Roumania shows a real surplus, which she will have even if her own consumption rises to the West European standards. Should present production in the region remain unchanged, it will be sufficient for satisfying the demand, considering the consumption of 70-80 kilograms *per capita*, per year.

#### Regional Estimate

The oil resources of the region are estimated by *The World's Oil in 1954* as follows (in million metric tons): Albania, 3; Czechoslovakia, 1; Poland, 3; Roumania, 60; Hungary, 6; and Yugoslavia 1.4, the total amounting to approximately 74 million metric tons. Should the resources of the Polish fields annexed by the Soviet Union be added, this last figure would increase to about 80 million metric tons.

These figures refer to the known resources and do not suggest that after extraction of this amount East-Central European fields will be exhausted. In 1918 the Bureau of Mines estimated the oil resources of the United States as sufficient for eighteen years. After thirty-seven years of production and much higher consumption than at the time of that estimate, nothing indicates that the United States may become short of oil in the near future. It can be therefore assumed that the oil resources of the region, making due allowance for the new drillings, will be sufficient for a long time to come.

### Refining Capacity

There are refineries in all the countries and their capacity is higher than the local oil production. Albania possesses one refinery with a daily capacity of 430 tons; Czechoslovakia, four refineries equipped to process 3,600 tons daily; Poland, six plants and 2,100 tons; Roumania, ten and 14,000; Hungary, eight and 1,800; and Yugoslavia three plants with daily capacity of 1,700 tons. The aggregate annual capacity of all refineries of the region is about 8.3 million metric tons. It could be raised without creating complicated technical problems.

### Ersatz

The oil situation of the region can be eased also with the help of synthetic oil and certain substitutes. Synthetic oil gained tremendously in importance during the last war and the technical and economic sides of the problem were so well advanced that today synthetic gas is generally accepted as one of the sources answering the world demand for fuel. The production of synthetic oil is based on coal and lignite or on natural gas. Coal production is concentrated in Poland and Czechoslovakia with a total output of about 110 million metric tons; lignite is mined in Czechoslovakia, Poland, Roumania, and Yugoslavia, with the total output of the region estimated in 1952 at about 70 million metric tons and planned production for 1955 totalling 80 million metric tons. Considering that for the manufacture of one kilogram of synthetic oil five to eight kilograms of coal and lignite are needed, it can be said that the region has an excellent raw material basis for this manufacture.

Natural gas is produced chiefly in Roumania and Poland. The highest pre-war yearly output was reached in Roumania—2 billion cubic metres; in Poland it was 0.5 billion cbm. Post-war production shows a steady rise. The 1955 output target for the whole region is five billion cubic metres. It seems that this output can be attained, if not in 1955 then in one of the following years. The largest producer remains Roumania, followed by Poland and Hungary. Czechoslovakia and Yugoslavia are producing rather small amounts and there are no data on Albania.

Among the fuel substitutes the most important are alcohol and benzol, as an addition to petrol and concentrated natural petrol used directly for engines. The region has a large production of potatoes and therefore substantial output of alcohol is possible. Before the war a 15-per-cent addition of alcohol to petrol showed excellent results. Benzol was also in use before the war. This by-product of coke is available in Poland and Czechoslovakia, its output in both these countries having reached 40,000 metric tons in 1947.

It can be estimated that in 1955 the figure of 100,000 metric tons will be reached. The use of benzol or alcohol increases by 20 per cent the output of petrol produced from natural oil. Concentrated natural gas cannot be considered as a substitute which could be widely used.

### To Sum Up

East-Central Europe possesses natural conditions for answering the demands of the region with regard to liquid fuel, even considering the growth of the population, industrialisation and the mechanisation of

agriculture. Natural oil resources are not too large, but they are sufficient to satisfy the needs for a long time to come, granting proper organisation of drilling projects. There are also excellent conditions for the development of synthetic oil production and of oil substitutes.

## Foreign Investment in Pakistan

### Slow Response to New Policy Statement

How does Pakistan stand in the foreign investment market? Its industrial policy was framed as long ago as 1948 in a statement in which the Government welcomed foreign investment in Pakistan so long as it had a purely industrial and economic motive and claimed no special privileges. The statement also laid down conditions in which foreign capital might participate in industrial ventures in Pakistan. Last November this statement was followed by an announcement by the Prime Minister, Mr Mohammed Ali, then in the United States, which in certain ways went a good deal further than the earlier statement and in some ways less.

In between the two statements the record of foreign investment in Pakistan has not been impressive. Some capital certainly came in but slowly and, in many cases, companies importing capital were those already established in India who perhaps had lost the Pakistan market for their Indian production and in order to fill the gap invested in Pakistan. Furthermore, these investments came largely from the United Kingdom and by the end of last year it had become pretty clear that Pakistan was failing to attract the foreign investor generally.

### Repatriation Facilities

Certainly for a new country embarking on an ambitious programme of industrialism the foreign investor seemed particularly shy. The new November statement laid down that capital invested in industry after September 1, 1954, might be repatriated at a later date to the country from which the investment originated, and any part of the profits derived from investment, and approved of the Government, might also be repatriated. The earlier 1948 statement had been silent on the question of repatriation.

The November statement also permits any appreciation of the capital invested to be realised and repatriated and gives an assurance to foreign investors against nationalisation while permitting them in approved industries to take up to 60 per cent of the total investment. Although repatriation is subject to the foreign exchange regulations in force at the time of repatriation, a stipulation which almost every country has to make these days, the Government of Pakistan could hardly have made a fairer statement. It provides really all that foreign investors can reasonably ask for on the

subject of repatriation. In one particular the statement reduces the maximum proportion of foreign participation, since in 1948 the Government laid down that in certain industries the proportions of foreign to Pakistani investment could be 70 per cent-30 per cent but, with this exception, the statement is a far more generous one than the 1948 statement.

#### Future Prospects

The question now being asked is: 'Will capital for industry now come into Pakistan on an increasing scale?' The country's constitutional problems, and very serious they have been, must, psychologically at any rate, affect the viewpoint of foreign enterprise.

Outbreaks of unneighbourly conduct such as occurred in the recent Pakistan-Afghanistan dispute must also make the foreign investor perhaps think twice, as will the prolongation of the disputes with India. But in some ways these problems cause more alarm outside Pakistan than inside it. So far as the constitutional issue is concerned the very serious difficulties which Pakistan has had to face in the last three months have not had the slightest effect on confidence amongst industrialists and traders in the country;

for the reason that the men at the helm of affairs enjoy a wide measure of confidence amongst all classes. In the same way the dispute with Afghanistan has had no effect on business confidence.

#### The Gloomier Aspect

On the economic side, however, the picture is not quite so cheerful. Pakistan is still short of power, although the deficiency is being made up. But the foreign exchange position remains acute and the need to control the whole of the country's imports has caused bottlenecks in the supply of raw materials to industrialists depending on imported supplies. Until these bottlenecks are removed, and the Government are fully aware they exist, many industries in Pakistan will have their problems. But the overall outlook for the foreign exchange position is not wholly discouraging. The payments deficit which amounted to roughly Rs. 41 crores in 1952-53 was reduced to Rs. 27 crores in 1953-54 mainly as a result of the tight curb on expenditure involving foreign exchange which is inevitably restrictive of tempo of the economy as a whole. But much of current policy is designed ultimately to increase overseas earnings as well as to minimise overseas spending.

## The Hedjaz Railway

PILGRIMS going to Mecca to perform the Haj will in the not too distant future be able to travel from the Syrian capital to Medina Sharif by the Hedjaz Railway.

The railway line, which has been

Representatives of the Government

From 'Alhanyat', April 1955

ments of Saudi Arabia, Jordan and Syria, at a conference held at Riyadh, in January, agreed to undertake the necessary technical studies. King Saud of Saudi Arabia has given 2,000,000 pounds to make these possible.

The studies will be completed in six months, when tenders will be put out to both local and foreign contractors. The cost, estimated by experts at about 5,000,000 pounds sterling, will be borne jointly by the three Governments.

The railway line in question dates back 60 years. Sultan Abdul Hamid of the Ottoman Empire, as Caliph, appealed to the Muslim world to send in contributions for the construction of a railway line to facilitate pilgrimages to Mecca.

The Sultan, who is said to have had in mind certain political and strategic considerations, such as easier means of communication with the distant parts of his Empire, opened the list of donations.

He was followed by the Khedive of Egypt and the Shah of Iran. Later contributions were received from all parts of the Muslim world.

After four years of construction work, a special ceremony was held in September 1904 to mark the completion of the track from Damascus down to Maan, in southern Jordan. The profits of the railway line were spent on the Muslim waqf and charitable work.

#### Track Blown Up

Although it was originally meant primarily to help pilgrims, the rail-

way line played an important role in the transport of Army personnel and supplies during World War I to the threatened parts of the Ottoman Empire. Realising the importance of this line, T. E. Lawrence, the British Command representative at Sherif Hussain's Headquarters, who collaborated with the late King Faisal I, incited the Arabs to demolish it. The track was repeatedly blown up, until 732 kilometres (440 miles) of it, between Maan and Medina, became unusable.

#### Fillip to Trade

Restoration of this railway line will promote trade between the three States. Syria's fruit and manufactured goods, as well as those of neighbouring countries, will be transported at low cost to Saudi Arabia.

Other advantages will be:

1. The railway line will help the industrial development of the three states.
2. The three Governments will achieve considerable savings by using rail transport, which is measurably cheaper than road transport.

3. It will help exploitation of the mineral deposits abundant in southern Jordan.

4. It will help organisation of a tourist trade between Syria, Jordan and Saudi Arabia.

Above all, the railway line will provide an easy means of transport for pilgrims to Mecca, who at present suffer considerable hardships from overland and sea travel to Saudi Arabia.

## Is German Free Enterprise in Danger?

BY PROF. LUDWIG ERHARD  
*German Federal Minister of Economics*

BOTH in Germany and abroad adherents as well as opponents of our economic system have been asking themselves whether recent wage and price movements in the Federal Republic of Germany implied a possible threat to our free market economy. Especially the opponents of a competitive economic system have dramatised the upward trend, noticeable since last autumn, of a few prices with a certain satisfaction.

### Effects of World Events

It would seem that the temporarily rising trend of some prices in certain sectors of our economy was due to unrealistic and speculative expectations on the part of a number of businessmen in regard to the possible economic effects of a German defence contribution. Events of worldwide importance in the political sphere, as for instance the For-mosa crisis, and their short-term effects on world market prices, did not, on the other hand, exert any influence on the price level in the German Federal Republic.

In the sphere of consumer goods prices have developed rather calmly. Prices of industrial consumer goods in particular have scarcely been boosted, if at all. In the textile and shoe branches slight price reductions even occurred in spite of brisk sales. Nevertheless the public was somewhat alarmed during a short period because prices of certain goods which, like food products, are bought every day did in fact rise while the psychological effect of simultaneous price reductions of durable high

*From Deutsche Korrespondenz, Bonn, June 4, 1955*

to save at a high rate and by their attitude contributed to a growing consolidation of the price level of consumer goods.

The development of prices of primary commodities, however, still gives rise to certain apprehensions. The timber market, it is true, has calmed down, but the average level of open-hearth steel prices has risen by 3 to 3.5 per cent. This is one of the reasons why I raised serious objections to an increase of coal prices.

### Faith in Common Sense

In any case the development of prices so far offers no grounds for alarm or for the idea of any danger to our free market economy. The German Federal Government disposes of a sufficient number of instruments of economic policy to permit it to control price developments without violating free market principles, and I am determined to act accordingly whenever and wherever it should become necessary. And even more I trust in the common sense and the business judgment of the majority of our people.

### Wage Policies

As regards wage developments,

the Federal Government continues to maintain the principle of non-interference in conflicts between employers and workers. On the other hand it has a definite interest in wanting to see facts rather than passion govern such conflicts, in encouraging calm and sober discussions between employers and workers, and in recommending wage policies adapted to the overall economic situation. The Federal Government is in favour of such wage increases as are commensurate with increases in productivity. As long as this is the case wage raises cannot possibly cause dangerous price developments. This being so I fail to see any indication whatsoever of any danger arising to our free market economy from recent wage movements.

For the rest I keep my eyes open, and I shall see to it that rearmament does not degenerate into a speculative business. Price movements, no matter on what grounds, that tend to exceed normal market requirements will be combated by appropriate price policies. My supreme object is and will continue to be a rising standard of living through economic expansion with a stable price level for the benefit of all classes of our people.

## Workers 'Need Not Fear Automation'

Writing in *The Chemical Worker*, Mr Bob Edwards, M.P. says that workers who are strongly organised in their unions, who are articulate and full of awareness of the scientific age, need have no fears of the consequences of automation.

Mr Edwards says: 'Far too many trade unions and far too many workers still vegetate in the old rut and hope to solve the problems of our times by the old methods based on the Luddite rebellion. Outdated economic textbooks are no guide to the future: a new technical atomic and chemical revolution is unfolding. It is to this revolution that we should turn our eyes in the certain belief that, given 20 years of peace, our world and our country will move into an era of superabundance.'

## Digest Reviews

### CHRISTIAN SOCIAL APPROACHES

*Economic Control*, by Michael P. Fogarty. Routledge & Kegan Paul; 21s.

The Montague Burton Professor of Industrial Relations at the University College of South Wales is no great stylist and is prone to jargon but he has written a most interesting book, packed with facts about the production and distribution of the British national income, the location of economic activities and the workings of the modern Welfare State. The latter's function he sees to be that of 'guiding, watching, stimulating and restraining', words taken from the Papal Encyclical 'Quadragesimo Anno'.

### MORE THAN A CATALOGUE

*Bibliography on Income and Wealth*. Vol. V, 1952. Edited by Phyllis Deane. Bowes & Bowes; 37s. 6d.

Miss Deane, working on behalf of the International Association for Research into Income and Wealth, whose Research Secretary she is, here presents the fifth of a monumental series of bibliographies of world-wide extent recording publications which give the results of research into the theory, measurement and analysis of national income and wealth. Students of economics and librarians in many countries will need to have this on their shelves and will be grateful not only to Miss Deane for her careful work which includes a full system of cross-references as well as an author index, a geographical index and a subject index but also to the United Nations Statistical Office and the thirty-six

contributors in thirty-four countries who provided the annotated references.

### PUSH-BUTTON REVOLUTION

*Towards the Automatic Factory*. Planning Vol. XXI No. 380. 13 June, 1955. P.E.P. (Political & Economic Planning), 16 Queen Anne's Gate, London S.W.1.

Here in a few pages is a clear definition of what is meant by automation. Recent wide publicity given to this topic on both sides of the Atlantic has given rise to considerable confusion about what is involved and some anxiety about the future of employment. This brochure will not destroy justified enthusiasm for automatic factory methods but will at the same time allay some of the fears of the consequences. The point is made that the development of automation, which is no new phenomenon, has been and will be gradual. It will nevertheless demand changes in the attitude of workers by hand and brain and a transformation of management methods.

An approach is made to the frontiers of this subject and mention is made of progress so far made in the use of automatic processes in the U.S.A., the U.S.S.R., the U.K. and France.

### GREAT MATTERS MADE EASY

*The Free Convertibility of Sterling*, by George Winder. *The Truth about Communism*, by Fidius. *The Batchworth Press*; 2s. 6d. each.

Mr Winder, who has written a number of articles in the press on economic matters, has produced these three-score pages at the request of the Institute of Economic Affairs. It is partly a very simple exposition of the mechanism and control of ex-

change and partly a polemic demanding the abolition of exchange control and the restoration of a world market. Neither Mr Winder nor the Director of the Institute of Economic Affairs, Mr Anthony Fisher, who introduces the work, are afraid to speak out roundly in defence of liberal economics, and beginners for whom this book is presumably intended would be wise not only to use the facts here so attractively presented but also to hear the other side or sides of the argument.

Mr Winder holds that the restoration of a world market, preceded by a return to freely exchangeable currency, is the first action which should be taken 'to frustrate the ambition of the Kremlin'. Fidius, whose pamphlet was prepared by the Executive Committee of the Fighting Fund for Freedom, a body having as Chairman Viscount Craigavon supported by General Martel, Mr John Eden, M.P., and other distinguished gentlemen, is equally resolute to frustrate the knavish tricks of international Communism. The Russian Revolution and the spread of Marxist Communism in the world can only receive cursory treatment in fewer than fifty pages which also offer a cure for the disease, and it must be said that the approach is a little naive.

Nevertheless the Batchworth Press are to be warmly congratulated on including lively controversy in their Background Books.

### REVOLUTIONARY CAPITALISM!

*The Twentieth-Century Capitalist Revolution*, by Adolf A. Berle, Jr. Macmillan; 8s. 6d.

The author of this 157-page book examines the modern corporation as

a social and political institution. He asserts that 'the modern corporation as an institution is entitled to much more respect than it has frequently received. The dangers inherent in its use are also great enough to require serious attention. The possibilities of its continued development are, so far as one can see, unlimited.'

He suggests that the corporation and the society in which it functions are today at the cross-roads, and he develops a new working hypothesis in political theory.

### DISRAELI OR KERENSKY?

*Mr France*, by Donald McCormick. Jarrolds; 16s.

Interim biographies by journalists often suffer from slipshod writing, awkward purple passages and superficial judgments. This life of Monsieur Mendès-France would be better without Mr McCormick's emotional passages on the collapse of the Third Republic in 1940 and his dissertation on the dangers of nuclear warfare which form a not wholly relevant conclusion to his book. Yet this is better than many journalists' biographies and has no present substitute at a time when the English-speaking world needs to know more of a man whose Premiership last summer symbolised the remarkable recovery of the French economy and nation which was the subject of an article reproduced in the July Party Congress at Marseilles at the time of the London-Paris negotiations on Western European Union, M. Mendès-France recalled that a year before as a private Deputy he had warned that France was in the same state as in 1788.

'Now France has recovered her pride and her hope. The Republic

must be built ceaselessly, for we think of it as eternally revolutionary, eternally unfinished as long as social misery exists. It is four months exactly today that France was spoken of as a sick man, and now here we are with the certainty of a great future for our country...

This quotation reveals the attitude of 'no enemies to the Left'. In his student days M. Mendès-France found that the price of Left Wing convictions and political courage was a broken nose. He is a Republican patriot with the love and loyalty for the country of adoption shown by other Sephardi Jews like Disraeli. M. Mendès-France is also an economist of an empirical rather than a doctrinaire kind. In his early days he admired Bismarck (himself a social reformer) and Poincaré as well as Briand and Blum. He secured his doctorate of law with a thesis on the fiscal policies of Raymond Poincaré and a critique of his stabilisation of the franc which brought thanks from the great man and glowing praise from M. Herriot, then at the height of his powers.

Much of the former Premier's economic thinking is contained in two books, one by himself in collaboration with Gabriel Ardan and one by Maurice Lauré, both of which were noticed in the *Digest* of December, 1954. Like President Roosevelt, Premier Mendès-France provided himself with a brains trust of economic thinkers; following President Roosevelt he expounded his policies by means of radio chats with the firesides of France.

In what is anything but a definitive life or a final judgment, Mr McCormick brings out the humanity of one who is austere in his habits and

is ready to drive himself and others to the limit. Once suspected in the United States and even in the United Kingdom of Communist connections, M. Mendès-France established himself in a few weeks as a mainstay of the Atlantic Alliance and a fervent believer in the *Entente Cordiale*. He not only enforced an end to the Indo-China war but, as Mr McCormick makes clear in a chapter which reveals that his own sympathies for France extend also to the French Union, made a decisive approach to the vexed North African question.

For M. Mendès-France the most important French achievements in his time of office were 'the discovery and development of oil deposits at Lacq. Secondly, for the first time for two generations French agricultural exports have surpassed imports... These two events have been almost overlooked.' Never was an understanding of economic essentials. Those who will not join wholeheartedly in Mr McCormick's enthusiasm for his subject will yet be willing to believe that there may be a great future for a French statesman such as this who has had the shrewdness to resist the temptation to form a new grouping of the Left and to maintain his connection with the machinery and the personalities of the Radical Party. J.B.-D.

### EMPIRES TO REPUBLIC

*A History of India, by J. C. Powell-Price, C.I.E., M.A. (Cantab), F.R.Hist.S. Nelson; £2 2s.*

*India: New Pattern, by Lady Hartog. Foreword by Lord Hailey. George Allen & Unwin; 12s. 6d.*

It is not possible to do justice in the space to this magnificent work

which is finely produced and beautifully illustrated with 61 plates as well as 25 maps. Mr Powell-Price, who was formerly Director of Public Instruction in what was then known as the United Provinces, has stressed in under 700 pages in a brisk, businesslike style the history of the Indian sub-continent from the earliest but recently discovered civilisation of the Indus Valley to the eve of the Second World War which hastened yet another partition of an empire. Times have changed since the run of people in this country began to yawn if India were discussed, and there should be a large demand in the English-speaking world for this eminently readable account of a majestic history and a superb and varied cultural inheritance. Successive invasions and conquests culminating in the British Raj are fully related to the social structure.

Mr Powell-Price ends with a warning. He speaks of the possibility of catastrophe and the need for the wisdom of the new leaders. Lady Hartog, whose interest in the advancement of women and women's organisations both in England and the East gave her knowledge of some of the most fundamental problems of the sub-continent, knew the British Indian Empire and has seen the Republic of Mr Nehru. She knows, and India knows, what the Republic owes to the Empire. She also knows what India and her leaders have done and are doing for themselves.

Questions of food and population, of scientific and technical development, the uplift of backward classes and tribes, the co-operative movement begun by Curzon and extended by Congress, these and many fascinating subjects find a place in this readable and sympathetic report on

progress since independence. The policy of the Indian National Congress is described as a progressive socialism within the Constitution combining nationalisation in many directions with the development of private enterprise. The Five-Year Plan and its Community Projects aim at the establishment of a welfare state, and British commerce and the Commonwealth connection flourish in an India 'which has deliberately chosen the British pattern of democracy; this new India of adult suffrage, high income tax and estate duty, National Savings Weeks and flag days... closer in spirit and in sympathy with the Britain of today than ever was the India of the past'. J.B.-D.

### OUT OF FEUDALISM

*The Economic Development of Japan, by William W. Lockwood. Princeton University Press (London: Geoffrey Cumberlege) 63s.*

Japan's emergence from the almost feudal state which existed up to the early 19th century into a modern industrial and capitalistic state in a space of three generations has been a remarkable achievement. Professor Lockwood has set out the story of this development, devoting the first two chapters to the historical background of the period preceding the transition and then passing on to record the chief elements in the process of development.

The 600 pages of this comprehensive and readable book, covering as they do the growth and structural changes in Japan from the years 1868 to 1938, will undoubtedly help to bring about a better appreciation of the position of Japan in world affairs. The author says 'the lessons

of Japan are worth pondering. In two respects they are a warning. Unless population growth can be held in check, the mere increase in numbers will absorb much of the gain of development. And unless

political institutions can be created to harness productive power to welfare goals, still more of the gain may be dissipated in war and conquest.

There are 43 tables and 3 charts.

*New feature—*

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### BOOKS AND PUBLICATIONS

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### LECTURE-MEETINGS ETC.

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new service for industrial groups—speakers supplied on almost any subject. Particulars from Industrial Advisory Bureau (Lecture Dept), 2A Queen's Parade, London, N.10. TUDor 2694.

### MISCELLANEOUS

**Bickford Secretarial Service**—22 Buckingham Street, London, W.C.2. Telephone TRAfalgar 4567. Typing, Duplicating, etc.

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### FOR REFERENCE

Items in this Section will be kept for one year at 47 Eaton Place, London, S.W.1 (telephone SLOane 7516). Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply to that address, citing the appropriate number or numbers (given in brackets after each item).

### ALL-INDIA FIGURES

*Statistical Abstract, India 1953-52. New Series, No. 4. Issued by Central Statistical Organisation, Cabinet Secretariat, Government of India. Government of India Press, Calcutta, India, 1955.*

The latest annual instalment of statistics and information concerning climate, area and population, migration, social welfare, justice, finance, local bodies, exchange and currency, banks, communications, industry, agriculture, commerce and natural resources, etc., etc. (656)

### SWORDS AND PLOUGHSHARES

*The Services and Your Career. Ministry of Labour and National Service. (Obtainable free from any of its local offices.)*

As the Permanent Secretary of the Ministry, Sir Godfrey Ince, says in his Foreword, this booklet is addressed to young British men and women who are thinking of joining the Regular Forces and also to Regulars who are considering whether to extend their service. It gives an account of the work of the Advisory Council on the Relationship between Employment in the Services and Civilian Life. Information is given about training in the

Services, the prospects of the skilled Regular with a trade which is practised in civilian life, the readiness of employers and Trade Unions to help ex-Regulars to make a good start in civilian life and about some special opportunities in the public Services.

It is encouraging to read that most ex-Regulars can be found suitable employment without difficulty and that there are opportunities for others under the Government Vocational Training Scheme or the Business Training Scheme. (657)

### EXPORTS AND EXCHANGE

*British Exports and Exchange Restrictions Abroad. May, 1955. (Ninth Edition.) Swiss Bank Corporation, London E.C.2.*

This is the latest edition of the up-to-date survey published by the Bank of conditions which affect merchants who ship goods abroad and have to grapple with exchange and other restrictions. (658)

### CATERING FOR THE WORKERS

*The Canteen Main Meal, and 4 Ways of Conducting your Canteen, by H. V. Black, F.R.S.A. Obtainable from Intel (Caterers) Ltd, 2 Parkshot, Richmond, Surrey.*

Two Intel publications of use to employers, managers and others concerned with works canteens. (659)

### GERMAN ARMS AND PRODUCTION

*Rearmament and the German Economy, by H. J. Dernburg. Reprinted from 'Foreign Affairs', July 1955.*

Mr Dernburg is an economist belonging to the Federal Reserve

Bank of New York and here deals briefly and competently with a problem of great topical interest and importance. The last time that there was German rearmament the then authorities were able to draw upon considerable idle reserves of capital and labour. The position today is very different and presents complex problems, including the possibility of inflation, which are examined here with clarity and intelligence. (660)

### PROGRESS OF PIRAEUS

*Statistical Bulletin of the Traffic of the Port of Piraeus during the year 1954.* Piraeus Port Authority, Greece, May 1955.  
Information and statistics in Greek and English. (661)

### THE ISRAEL ECONOMY

*Review of Economic Conditions in Israel.* Special Issue, May 1955. Bank Leumi Le-Israel B.M.  
Facts and figures which may be read in conjunction with the article 'Israel's Economic Recovery' published in the July Digest. (662)

### SCHUMANIA

*European Coal and Steel Community.* John Goormaghtigh. *International Con- ciliation* No. 503, May 1955. Carnegie Endowment for International Peace.

This brochure contains some handy information and quotations about the European Coal and Steel Community. (663)

### COAL CRISIS IN BRITAIN

*Can British Coalfields be made to Pay*

*Both Good Dividends and Good Wages?* by Hugh Wood. Reprinted from the leading article in the 'Iron and Coal Trades Review' of July 23, 1926. Some at least of this is strangely relevant to the National Coal Board's present difficulties. (664)

### GATTITUDES

*Basic Instruments and Selected Docu- ments. Third Supplement: Decisions, Resolutions, Reports, etc., of the Ninth Session. The Contracting Parties to the General Agreement on Tariffs and Trade, Geneva, June 1955.*

A convenient collection of docu- ments arising out of the recent G.A.T.T. Conference in Geneva. (665)

### B.I.S.

*The Bank for International Settlements, 1930-1955, by Roger Auboin. Essays in International Finance, No. 22, May 1955.* International Finance Section, Department of Economics and Sociol- ogy, Princeton University, Princeton, New Jersey.

This was the subject of a Digest review in our last number. (666)

*The Bank for International Settlements Twenty-Fifth Annual Report April 1, 1954-March 31, 1955.* Basle, June 13, 1955.

M. Auboin's essay mentioned above is the closing chapter of the latest Annual Report of the Bank. The year under review is described as 'fundamentally prosperous' on both sides of the Atlantic. It is claimed that by the beginning of this year most European countries as well as others had enjoyed three years of generally rising consumption and of relative price stability. (667)

### CONTENTS

Economic Talking Points.....	405
Digest Spotlight—on two Soviet Statesmen.....	407
The Economic Foundations of Peace..... Henry Drummond-Wolf	409
South Asia Favours Bi-Lateral Aid..... N.B.I. Review	411
Wall Street Inquiry..... The Stock Exchange Journal	415
World Population Estimates Published..... United Nations	418
Trade Union Topics:	
(1) Industrial Organisation in Yugoslavia..... Dr. N. Das, I.C.S.	419
(2) Doom—or Utopia?..... The Statist	422
Soviet Atomic Energy..... Soviet Embassy, London	423
East Germany in International Trade..... Curt Stichel	425
Setting Surpluses to Work..... Jorian Jenks	427
Surplus Disposal..... The Statist	429
The Argentine Scene..... I.F.A.P.	430
World Meat Production..... The Canadian Bank of Commerce	431
The St Lawrence Seaway..... Commercial Letter, The Canadian Bank of Commerce	432
Selling to Western Europe..... The Credit Insurance Association Ltd.	437
Belgium's Trade Policy..... European-Atlantic Review	438
The First 'European Company'..... The Eastern Economist	441
U.N. Technical Aid in 1954.....	442
World Production of Coffee, Tea and Cocoa	
Monthly Review, Bank of Nova Scotia	443
DIGEST REVIEWS.....	444
From War to War—World Trade—Merry France—Gold War Weapons	
—Young People—The 'New' Continent—Mission to Nigeria—Trade and	
the Flag—Europe in Upheaval	
For Reference.....	450