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THE BODLEY HEAD

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MIDLAND BANK LIMITED

1954 A GOOD YEAR FOR BRITAIN GREAT ACHIEVEMENTS IN INDUSTRY AND EXPORT TRADE LORD HARLECH ON COUNTRY'S ECONOMIC PROGRESS

THE One hundred and nineteenth Annual General Meeting of Midland Bank Limited will be held on February 16 at the Head Office, Poultry, London, E.C.

The following are extracts from the Statement issued to Shareholders by the Chairman, The Right Hon. Lord Harlech, K.G., F.C., G.C.M.G.:—

The Statement describes the extensive use which has been made of a great variety of mechanical aids designed to achieve greater efficiency with no less security and convenience for customers. Early in 1928 this Bank took the initiative in installing machines for ledger-posting combined with the preparation of statements of accounts for customers in place of pass-books. The system has since been widely extended and eventually will completely replace hand-posted ledgers. Note-counting and coin-counting machines and high-precision scales for weighing notes in bulk are being brought into use wherever they can be advantageously employed. As long as twenty years ago this Bank began to use photography in the interests of efficient operation. Departments responsible for this work are at present filming about three hundred thousand items a day on the average, though on peak days the total far exceeds twice that number, and the latest machine takes its photographs at the rate of nine thousand an hour. Another example of modern installations is the use at head office of punched card methods of recording, computing and checking, which are adapted to a variety of tasks involving large numbers of calculations and detailed recording and aggregation.

It can thus be claimed that the Bank has been very much alive to the possible benefits, in saving of labour, in higher standards of accuracy and in service to the customer, of the progressive employment of many kinds of mechanical device. It will be ready to adopt quite new methods, as for example in the field of electronics, when satisfied that the prospective capital and running costs are likely to be commensurate with the foreseeable gains.

ECONOMIC TRENDS

The Statement observes that in one way at least 1954 may prove to have been an historic year in international trading and financial relations: for the official discussions that have been taking place, with a minimum of publicity, may eventually be found to have set the course of policy for many years to come. The whole series, as yet uncompleted, may well determine whether the world is to move on towards economic unification or is to revert to the practice of narrow nationalism with no sort of action barred, be it by way of quantitative controls, monetary restrictions or direct or indirect subsidising of exports. It is well that this dividing of the ways should be clearly seen, and that the choice of direction should be made with full realisation of the kind of territory into which each is likely to lead.

On a review of conditions in our own country it may be said that, balancing one thing with another, 1954 was a good year for Britain. To assess its place in the long run, however, we need to look back over the period since the end of the war, and compare the economic situation today with that which had been arrived at in 1928, ten years after the end of the first world war. The most conspicuous contrast lies

LLOYDS BANK LIMITED

Post-War Expansion

The annual general meeting of Lloyds Bank Limited will be held on February 18 in London.

The following are extracts from the Statement by the Chairman, The Right Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E., accompanying the report and accounts for the year 1954:

The profit for the year, at £2,186,072, is £102,291 higher than last year. The down-turn in advances to which reference was made a year ago has been replaced by a gradual increase throughout the year which, together with the increase in our holdings of British Government securities, has offset to some extent the effect of the fall in interest rates following the reduction in Bank Rate. On the other hand, staff and other expenses continue to increase, a factor which must make for caution in any estimate of future profits.

A year ago we were able to increase the dividend on the 'A' shares by 2 per cent; we propose for 1954 a further increase of 1 per cent, making 15 per cent for the year. We also propose the capitalisation of reserves to the extent of £3,593,239 for the purpose of paying up 5s. per share on the 'A' shares of £5 each £1 paid, making the shares £1 5s. paid up.

We have already announced our intention to recommend in due course that the dividend on the 'A' shares for the current year, subject to maintenance of the bank's profits, should be at the rate of 12 per cent per annum on the shares in their new form, being the equivalent of 15 per cent on these shares in their present form.

Current Deposit and other accounts show an increase of £41 millions and on the assets side Loans and Advances are up by £12 millions and Investments by £14 millions.

Growth of Activities

Dealing with some of the ways in which the Lloyds Bank of today differs from the Lloyds Bank of pre-war days, he said: Our deposits are more than three times as large as before the war and our share of the total deposits of the eleven London clearing banks, or of the five larger banks, slightly higher today than just before the war. But a large expansion in our resources, when it reflects a general inflationary movement, is by no means the unmixed blessing it is often assumed to be; it can create real problems in our internal finances.

The number of current accounts has risen since before the war by considerably more than half. Indeed, since before the 1914 war there has not been a single year in which the number of current accounts has failed to expand. We are today conducting about 2½ million accounts of all kinds, of which two-thirds are current accounts.

Need for Strong Reserves

The bank has a vital rôle to play in the national economy and in fulfilling that rôle we take, as is proper, normal commercial risks. Many businesses which are prosperous today might not be so but for the forbearance and constructive imagination exercised by the bank in times of difficulty. But the administration of these vast sums calls for a high degree of knowledge and skill, if undue losses are to be avoided.

The need for strong reserves to meet contingencies is thus as great as ever. The bank recognises its obligations to the various sections of the community with which it has dealings and does its best to meet them. But our overriding duty is and must always be to maintain the strength and stability of our great organisation.

in the fact that the country was then carrying about one-and-a-half million unemployed, whereas there is now—and has been ever since the war—very little involuntary unemployment among a working population that has been substantially enlarged. Again, industry as a whole has proved itself this time to be more adaptable, and more steadily progressive, than it was at any time between the two wars. The magnitude and range of its output have far outstripped pre-war production. In agriculture, too, the contrast is equally striking between relative prosperity, with an outlook that inspires confidence for the future, and the long depression that prevailed, between the two wars, in this vital home industry.

It is now recognised that the unhappy state of affairs in the later 'twenties was related in no small degree to the prevailing monetary conditions, which were an inescapable result of the premature return to the gold standard, with a completely unregulated foreign exchange market, at the pre-war parity between the pound and the dollar. This time no such course of action has been followed, and the new external valuation of the pound takes full account of the basically altered relations among national currencies. It is no mean achievement to have reached a stage at which the current account surplus on Britain's balance of payments has surpassed —though in terms of depreciated pounds—that recorded in 1928. This result is to be attributed in large part to the much greater vigour and buoyancy displayed by our export trade. The volume of exports is more than half as big again as before the war, whereas imports have hardly yet been expanded to their pre-war volume.

The great achievements in our industry and export trade are the more gratifying when account is taken of the difficulties, notably the load of taxation, standing in the way of the provision of capital resources for improved efficiency and the development of new products.

Lastly, a marked contrast is noticeable in the course of prices after the two world wars. The movements in 1918-28 were violent and erratic, but by 1928 the purchasing power of the pound in the hands of the consumer was gradually increasing. It had been hoped, at the end of the second world war, that better management of the national economy would succeed in avoiding a repetition of the unbridled inflation and brutal deflation of 1918-28. So it did; but avoidance has been achieved at the cost of an almost continuous whittling away of the value of the pound to the consumer.

THE OUTLOOK

Thus comparison between the condition of our country in 1928 and 1954 is mixed; but, allowing for differences of circumstance both domestic and external, it may be argued that the national economy has made a much smoother, more firmly grounded recovery after the second world war than after the first. The comparison is rendered all the more gratifying when we recall that the physical damage and economic dislocation sustained by this country from the second world war were far greater than from the first. The main cause for encouragement lies in the fact that this time Britain has adapted herself far better to the altered world situation, and stands in a far stronger position today in relation thereto than she occupied in 1928. We are now better placed to ward off any threat of a second post-war decade comparable in any degree with the tragic depression of the 'thirties.

For reasons indicated, however, it would be folly to assume that the satisfactory balance of payments achieved by Great Britain during the past three years can be maintained without the continuance of unabated effort. Among other requirements the unequal development of the world's productive capacity calls for a powerful direction of capital and imaginative planning into the opening up of the productive resources of under-developed territories, particularly the enlargement of their output of agricultural commodities.

This Month's

Digest Headlines

1. Is British Air Policy sufficiently attuned to Commonwealth needs?

Does the U.K. aircraft industry neglect the requirements of Commonwealth and Colonial Development?

see p. 57

2. 1954—A Boom Year; what of 1955?

How far will the British people progress towards the Chancellor's goal?

see p. 69

3. What hope for 'One World'?

Will G.A.T.T. emerge as a World Trade Authority?

or Will the Commonwealth develop closer economic ties and European economic policies become more regionalistic?

see pp. 63, 65, 72, 76, 79, 87

4. Are present Full Employment concepts obsolescent?

Is the future to be of increasing leisure for all?

see p. 66

Economic Talking Points

Will Khrushchev oust Malenkov?

Khrushchev is widely associated with a tougher policy, particularly towards the peasantry,* than has been pursued since Stalin's dictatorship was succeeded by collective leadership.

But the Soviet peoples crave better conditions and more consumer goods.

Will the U.S.A. pursue more liberal trade policies in 1955?

President Eisenhower's Messages to Congress indicate that this remains Executive policy in Washington and he now has the paradoxical advantage of Democratic control in Congress and Committees. Even the Republican Press suggests that he will get his way.

But Protectionism remains strong in a country whose demand for imports is relatively small.

and certain 'Backwoodsmen' are sharpening and grinding their axes in the Lobbies.

Have Atomic and Thermonuclear explosions affected human, animal and plant life and weather conditions?

No authoritative statements that this is the case have so far been made public, and there is scepticism in informed quarters.

But the fate of the Japanese fishermen has had a profound psychological effect, notably in the Marshall Islands and in the Commonwealth of Australia.

The World Meteorological Organisation is making an investigation.

* See Edward Crankshaw's article in the January Droszt.

Will Mr Strydom's Nationalist Government moderate its policy as it gets down to the practical problems of administering South Africa?

Drastic action has been taken against the missionary influence in education,

The Nationalists are committed to thorough-going *apartheid* and to Republicanism,

But They cannot now plausibly appear as a Party of simple farmers ranged against the cosmopolitan Imperialism of the United Party. Nationalist supporters now have their own stake in Gold, in business generally and in American good-will.

Union strategic interests are bound up with the Commonwealth, the 'Eur-African' Powers and the Atlantic Bloc.

Will 'Mr France's' plan for a European Arms Pool be accepted by Western European Union?

Under the London/Paris Agreements certain controls are to be applied to Germany and to all the *Continental* members.

In France ratification is not yet complete and the plan has appeal for her arms manufacturers and all who fear an armed Germany.

It also contains a 'supranational' element intended to attract 'Europeans' in France and other Federalists.

The Pool might prove a useful experiment in international control adaptable to a future East-West settlement.

But Britain will refuse 'supranational' control of her arms industries.

Germany suspects attempts to limit her freedom in defence matters.

N.A.T.O. and national experts deem over-centralisation inefficient and see little that a European Pool could do which could not be done in an Atlantic framework.

U.S.A., disappointed of E.D.C., is unlikely to agree to its military aid being administered by a European body, thus reducing American means of influence on individual States.

ECONOMIC DIGEST

FEBRUARY, 1955 VOLUME VIII NUMBER TWO

Aviation in the Outback

BY H.R.H. THE DUKE OF EDINBURGH, K.G., K.T.
Royal Aeronautical Society, December 16, 1954

DURING the recent tour of Australia and New Zealand and then later in Canada, I had a wonderful opportunity to hear about, and sometimes to see, the enormous variety of uses other than passenger-carrying to which aircraft have been put in those countries. It is not perhaps surprising that they have found so many uses for aircraft, considering the conditions. Australia and Canada are enormous countries by any standard and although New Zealand is not much bigger than the British Isles, the population is about 2½ million compared with roughly 50 million in these islands. The distances involved alone make aircraft the obvious choice for general transport. In this country all forms of aviation and transport are bedevilled by chancy weather, to say the least of it, while Australia, New Zealand and Canada are blessed with relatively good flying weather for most of the year. Services in Australia work to a 98 per cent regularity. On top of that the attitude to flying in those countries is quite different; it is part of their life and not in the least restricted to the relatively few people who go abroad regularly, as it is largely in this country.

Many things are quite reasonably done by aircraft out there which would be the height of extravagance

or folly in this country. In many cases, of course, aircraft are used not because it is easier, quicker or cheaper, but simply because there is no other way at all.

Aircraft in Agriculture

Aircraft are being used for crop-dusting, which is really a form of pest control, for seeding, top-dressing, and for the survey of land and in forestry.

Top-dressing is a speciality of New Zealand and the object of the exercise is to drop fertiliser on to otherwise inaccessible pasture land to improve the grass to feed sheep. It is important to remember that this is not an alternative way of doing it—it is the only way. Top-dressing is done by air or not at all.

On a 900-acre block in the Auckland district, with two seasons of top-dressing with four to six hundred-weight of phosphate and potash per acre, the capacity of the block has been increased from 1,200 to 2,300 ewes, and it is hoped to increase that to 3,000 in the next two years. Throughout New Zealand there were twelve aircraft employed on top-dressing in 1939. That figure has now risen to 162. In 1953 they distributed

140,000 tons of fertiliser over 1½ million acres. Some people estimate that aerial top-dressing is capable of

Extracts from the Tenth British Commonwealth and Empire Lecture

increasing meat production in New Zealand 50 per cent in ten years, and the ultimate target is to treat 10 million acres of hill country.

To give some idea of the cost of this work, it is estimated that counting fertiliser, transport, dropping, interest on capital, etc., it works out at between 30s. to 34s. per acre, or some £3 per ton dropped. The latest development is a product consisting of a hormone and a superphosphate for the dual purpose of weed-killing and fertilising.

Apart from top-dressing, aircraft are used to spread trace elements (this is done commercially in New Zealand for between 6d. and 1s. per acre), for sowing seeds, dropping fencing and other supplies, such as fodder and poison bait, and frost protection of valuable crops.

So far as aircraft for agriculture are concerned, particularly in spraying for pest and weed control, they have one important advantage in that they avoid any mechanical injury to the crop, which would be unavoidable with ground machinery.

Whatever purpose aircraft are used for, there is one fundamental rule: the aircraft must be employed all the year round to make it worthwhile. The whole difficulty of operating aircraft for agriculture lies in finding a variety of uses which will achieve this ideal.

Aircraft in Pest Control

There are many sides to pest control from the air, but they are mostly alternatives to ground methods. In Africa, however, aircraft are used for locust control and in this case there is no alternative which is anything like so effective. For every pound spent on aerial spraying of locusts, crops up to the value of £110 can be saved. In 1954 a battle was fought in

East Africa by ten light aircraft, operating from a 600-mile line of bases in Kenya and Tanganyika, against an invasion by some fifty swarms with a total area of about 500 square miles and containing something like 50,000 million locusts weighing perhaps 100,000 tons. This time the locusts won, although many large swarms were attacked in flight and several were completely destroyed. During the battle it was found that 300,000 locusts can be killed by one gallon of poison sprayed from aircraft at a cost of £6 per million locusts killed.

Also in Africa, aircraft are used against what is probably the greatest obstacle to development of that continent. In Tanganyika alone, 75 per cent of the total land is unsuited for settlement because of the tsetse fly. They could be wiped out from the air, but at present it takes three applications and that is still rather expensive.

Almost every country in the Commonwealth and Empire can provide examples of the use of aircraft in pest and disease control. Forests are surveyed to find infected areas and in Canada budworm in forests have been attacked with D.D.T. with great effect.

The most important way of controlling pests and diseases, if good husbandry and good sanitation prove inadequate, is by the use of poisonous chemicals. The immense development of potent new chemicals in recent years has meant that only from one to 25 gallons of spray per acre are required, where 100 to 3,500 gallons would have been necessary a few years ago. In fact the low dosages at which the new chemicals are effective have been directly responsible for the increased use of aircraft for the control of pests

and diseases in the past twelve years. The essential quality of aircraft which suits them for this work is their independence from the nature of the countryside, which enables them to reach standing crops, deserts for locusts, tree tops for forest pests and swamps breeding mosquitos, that would be inaccessible to ground machines, and to treat such infested areas with a speed quite impossible by any other means.

Another method of dealing with pests is by biological control. This means spreading harmless insects which will live on the pests and reduce their numbers. This sort of thing can be done most efficiently by air, in fact it can also be done unintentionally, with harmful results. For instance, before starting the South Africa-Australia air service it was discovered that there were fifty-two varieties of pests which existed in South Africa but not in Western Australia, which were liable to be transported inside or outside the aircraft on that route.

Aircraft in Surveying

Considering the immense size of Canada, Australia and Africa, and the large proportion of unexplored country, it is not surprising that aircraft are used extensively in the survey of vast areas of unknown country. These surveys are made for a number of reasons apart from ordinary map-making. In Africa, 30,000 square miles were mapped for the purpose of choosing the best route for a projected railway line. 16,000 square miles were mapped in the Gold Coast for a hydro-electric scheme, and in Northern Rhodesia 11,000 square miles have been looked at for a possible extension of the copper belt. In India 180,000 square miles have been photographed

for the survey of India. In Pakistan, under the Colombo Plan, 300,000 square miles are to be photographed for geological and irrigation surveys.

Probably the most important aerial surveying is done for geological reasons. Aerial prospecting is indispensable in Canada and Australia and many interesting techniques have been developed. Geological interpretations of photographs, measurements of the earth's magnetic field, measurements of electro-magnetism and measurements of radio-activity, all play their part in laying bare the hidden resources of those great countries.

Allied to geological surveys are the aerial soil surveys over country otherwise inaccessible, or where the use of land changes rapidly. Over-erosion are quickly detected in photographs and volumes of timber per acre can be estimated with fair accuracy. Canada has led in the development of the technique of assessing the composition, wealth and best logging plan for her vast forests, using stereo-examination of photographs combined with ground work.

The great attraction of aerial surveying, for whatever purpose, is the speed at which it can be done, and hence the tremendous amount of time saved. For instance, before building the hydro-electric plant at Kitimat, in Western Canada, it was necessary to find the best route for a fifty-mile power line across mountains 5,000 feet high. By any other method the survey would have taken three years, but, using helicopters, the work was completed in thirty hours' flying. Or again, the survey of the Fraser River Canyon in British Columbia, which took five years on foot, was completed in one season from the air.

Aircraft for Freight

For many years there was a tendency in this country to think of air freighting as rather expensive and unnecessary.

Development was very difficult in Canada, for example, where as early as 1937 Canadian aircraft carried 24 million pounds of freight, compared with 9½ million pounds lifted by United States carriers in 1939.

Air freight opened the Canadian North in the 20's and 30's and every further development in that area depends entirely on aviation. Take, for instance, the Eldorado uranium mine at Port Radium on the Great Bear Lake, less than thirty miles south of the Arctic Circle. In the first place it was discovered by Gilbert Labina in 1930 from the air in an aircraft flown by C. H. ('Punch') Dickens, a famous name among the bush pilots of Canada.

The mine at Port Radium is entirely supplied by air from Edmonton, 1,200 miles away, except for particularly large or heavy equipment. The Eldorado Company also looks after another establishment at Beaverlodge, 350 miles from Edmonton. The Company operates one Dakota and one Curtiss Commando which, between them, lift on the average 3,000 passengers and about 3,000 tons of freight every year. A total of roughly 2½ million ton miles at a cost of 22½ cents per ton mile. The only other transport system is by water, and although this is considerably cheaper—it costs \$80 for every ton taken to Port Radium compared with \$225 per ton by air—navigation to Port Radium is only open for one month and to Beaverlodge for four months in the year. Therefore allowance must be made for the cost involved in carrying large inventories of waterborne freight and

equipment. In fact, the water route is only used to bring out the products of the mine.

The figure of 22½ cents per ton mile becomes rather more interesting when it is compared with the cost of road transport over comparable distances in Northern Canada, which is, at a rough estimate, about 15 cents per ton mile, although the average for the whole of Canada is 5½ cents per ton mile.

Two of the reasons why this company can operate at such relatively low cost are that both aircraft were picked up cheaply as war disposal and because of the large back-haul of passengers and concentrates which make for the high load factor of 90 per cent.

The important point here is that these establishments, thanks to aircraft, are in no way cut off from the outside world. Since fresh food and vegetables, newspapers and books can be flown in all the year round, the community, which includes several families, lives a normal full life.

Passing now from Canada to Australia, where an experiment has been running some six years on the flying of beef from a cattle station to the coastal port. These cattle stations can be up to five million acres in extent and 500 miles from the nearest railroad or harbour.

The experiment was started by Air Beef Ltd, who established an experimental abattoir at Glenroy, some 180 miles inland from Wyndham in the north-west corner of Western Australia, with a capacity for dealing with 60 head of cattle per day or 300 a week. During the six years an average of 4,000 head of cattle per annum have been killed and the result has been to upgrade the meat from 23 per cent export quality to

65 per cent export quality, and total frozen carcass weight has gone up 13 per cent. Before the introduction of Air Beef only about 7 per cent of the cattle raised ever reached the meat works. Although the value of the meat has only gone up by 34s. a head, the increased production of meat has increased revenue by over 200 per cent. The number of cattle marketed from that station has doubled and the station has been enormously improved by the increased income and by using the aircraft to transport to the station all the equipment required for the development.

The possibilities for Australia are immense. It has been estimated that by using inland abattoirs and air freighting, beef production in Australia could be doubled in ten years.

There is one other use for air freight which I would like to mention. It is in connection with the giant construction jobs in remote districts. Early this year a 350-mile railway from the St Lawrence to Knob Lake on the border of Quebec and Labrador was completed to carry iron ore. This railway is capable of carrying trains weighing up to 10,000 tons. The railway was built principally by air. Using six landing strips, men, equipment and food were flown to work on various sections of the line. I have already mentioned that helicopters were used to survey the route for the power line from Kemano to Kitimat. I think it is worth mentioning here that the line was also built with the use of helicopters, which carried every man and piece of equipment to remote spots up to 5,000 ft. above sea level.

Aircraft for other uses

There is the flying doctor service

in Australia, which has made such an enormous difference to life in the outback.

In the exploration for, and production of oil, Shell have five aircraft in British Borneo which are used to carry staff between oilfields, camps and the nearest major airport at the rate of about 1,000 a month. Journeys which would take fourteen to twenty hours on the ground are done in fifty minutes by amphibian.

Quite apart from the practical advantages, the moral effect on staff of the ability to extricate casualties from difficult places and get them quickly to hospital has been one of the most welcome results of using aircraft. For instance, a suspected typhoid case was in the main base hospital within five hours of the emergency message being received. The outstation was 200 miles away and the surface journey would have taken twenty-four to thirty-six hours.

Fixed-wing aircraft are ideal for agriculture, pest control and survey so long as the geographical scale of countryside is large. When it comes to dealing with small detailed work, which is the rule in this country, then the helicopter is the only really useful type of aircraft for that purpose. In fact, the greatest part of air spraying in this country is done by helicopters and some thousands of acres of potatoes are sprayed by helicopters each year.

There are several conclusions to be drawn. The first and most important is that, apart from the Bristol Freighter and the Beaver, and later the Otter, not one single aircraft used in any of the fields I have mentioned was actually designed for the job. Every sort and kind of aircraft are used, from Moths to Dakotas, and they are all old and were all designed for something else.

It is like using a double-decker 'bus as a milk float, or a Bentley as a farm tractor.

The secret of success seems to be the very closest co-operation between the makers and the operators. That co-operation exists in the development of air liners; it is not always present in the development of aircraft for the outbreak.

Imperial Necessity

There can be no doubt that aviation is an essential element in the development of the Commonwealth and Empire. Hence it follows that aircraft must be designed for the jobs for which they are required, or the aircraft must be highly versatile; that, whatever the job, the aircraft must be simple, robust and easy to maintain; that speed is a secondary consideration for the simple reason that even if they only flew at thirty knots they would still get to places several months before dog-teams or ox-carts. This does not mean that aircraft have got to be slow. If high speed makes them more economical to operate, so much the better.

Eventually, of course, in anything of this sort the question of relative cost creeps in, and quite rightly. This applies equally to bush or outback operations as it does to the movement of heavy freight over long distances. The difficulty about estimating the cost of this type of aviation is that it is very difficult to find comparable figures. In Northern Canada the cost per ton mile by air is not much greater than by road, but that takes no account of the cost of the road in the first place, or its maintenance. In Australia the railways, as in quite a number of

countries, are run at a loss, yet quite obviously they must go on running.

The difficulty at the moment seems to be to estimate correctly exactly what type of operations are most suited to each system of transport. The conclusions, as I see it, are that the scope for aviation will be considerably broadened: first, when the full advantages and possibilities of aircraft are thoroughly appreciated and trusted by potential operators, and second, if and when suitable aircraft make their appearance.

Commonwealth Centre

At the moment, the centre and head of the aviation industry for the Commonwealth and Empire is in these islands. It is true that great strides have been made in some of the Dominions in the design and production of aircraft suited to their own needs, but the industry in these islands is still the leading partner and capable of making many useful contributions for a number of years yet. If it is to do this it must not be blinded by the chances of lucrative Ministry of Supply contracts, or have its attention to the requirements of the Commonwealth and Empire distracted by the clamour of Britain's airline operators. The Ministry of Supply, the Service Ministries and the civil operators are obviously the industry's best customers and patrons, and they cannot be blamed for considering only their own special requirements. But if the industry is to play its proper part it must look beyond that and consider the progress of aviation as a whole and all over the world.

The Commonwealth in the World

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

The following is taken from a lecture with the above title given in December last at the London School of Economics. Mr. Amery has travelled more widely than most Imperial statesmen in the Realms and Territories of the Empire and Commonwealth and has held office as Secretary of State for the Colonies, Dominion Affairs, India and Burma. After comparing contemporary ideas of the Commonwealth and of European unity with the League of Nations between the World Wars, Mr. Amery went on to say:

Here again it seems to me that the same well-meant American eagerness for simple mechanical and legalistic universal answers to complex problems, which led President Wilson to proclaim the League of Nations as a ready-made solution for the issue of peace and war, has led his successors to try and impose upon the world a similar solution of its economic issues. That solution, originally intended to be embodied in an International Trade Organisation, is now represented by two institutions, the Geneva Trade Agreement Organisation and the International Monetary Fund. It is based on the same conception as the League of Nations or the United Nations, namely that all existing political units should be regarded as separate fiscal economic entities, linked by currencies convertible at fixed rates and by minimum tariffs, but all equal in relation to the world organisation and to each other, and forbidden to develop special relations, in the nature of economic groups, among themselves. At the end of the war the British Government, desperately in need of a large American loan, pledged itself to the promotion of this conception, undertaking not to extend, and ultimately to eliminate, its system of Common-

wealth preferences and to make sterling convertible at four dollars to the pound within a year. Other nations, no less anxious for American favours and unwilling to appear reactionary, hastened to endorse the scheme.

A Sham

I am afraid the I.M.F.—G.A.T.T. programme has, so far at least, proved as much of a sham as the United Nations. Our convertibility pledge had to be repudiated after a bare six weeks' trial, and that repudiation was followed by drastic devaluation two years later. Others have done the same as and when it suited their convenience.

It is true that an elaborate structure of low tariff agreements was negotiated covering 58,700 items and applying equally to thirty-four signatory nations. But these have really been concerned with a hypothetical future. The actual trade of the world has been carried on subject to rigid exchange controls, differential quantitative quotas, preferential State bulk purchases and long-term contracts, all far more vexatious interferences with freedom of international trade than the highest tariffs or most far-reaching prefer-

The real issue at Geneva

The question now confronting the nations at Geneva is whether they can afford to dismantle the protection and the co-operation afforded by these crude methods, and make G.A.T.T. and the I.M.F. realities, or whether to acknowledge, in practice if not in theory, that the one world non-discriminatory method is mistaken, and that existing restrictions on international trade can best be reduced, and eventually eliminated, by removing the veto on group co-operation, and allowing nations within a political group to remove such restrictions or reduce their tariffs as between themselves without being obliged simultaneously to do so to all the world.

Mr Thornycroft and Mr Waugh

At this moment the British Government—somewhat curiously in view of the past traditions of the Conservative Party—has given a strong lead in favour of the elimination of all restrictions, of what I might call an all-out G.A.T.T. policy, both for its own sake and in the hope that this may pave the way to general convertibility. The American delegate, Mr Waugh, has made it clear that the United States has no intention of doing away with restrictions on the import of agricultural produce which could interfere with its policy of internal price support, or to end the export subsidies which it employs to ease that policy. What is, however, much more significant is that the French delegate, M. Faure,* while warning Mr Thornycroft against over-ambition, laid all his stress on the liberalisation of trade within the European group.

*We quote M. Faure's speech at Geneva on another page.—Ed.

Co-operative group economies

What the immediate outcome may be is uncertain. My own view, for what it may be worth, is that the fullest development of the resources of Europe and of the British Commonwealth and the greatest measure of attainable freedom of trade in the world as a whole will follow from the eventual realisation that the rigid one-world system contemplated by G.A.T.T. is an obstacle to progress, and that the solution lies in co-operative group economies corresponding to and re-inforcing the trend to political and defensive groupings. I know that is not a fashionable view at this moment. But it is based on the conviction that economics cannot be severed from politics and that, in both, idealist universal schemes are the most serious obstacle to practical progress.

Shrunken World

Let me then sum up my argument. It is that the technical developments of our age have brought about a shrinkage of the world in terms of time-space which has altered the whole scale of what can constitute an independent national life. That the answer to the political and economic problems thus created lies, not in mechanical world-wide schemes for the preservation of peace or for the control of trade, but in a progressive evolution towards larger political and economic units.

Given the trend in that direction, it is not unreasonable to believe that the nations of the Commonwealth, as members of a group that is already in existence, with so much of tradition and outlook in common, will prefer to maintain, and probably to strengthen, the method of free co-operation which they have found serves their needs, rather than break

up and look for some new combination which might offer them less freedom and less voice in the control of their destiny, or else run the risks of isolation.

Unique Commonwealth

What is more, the peculiar structure of the Commonwealth which was only made possible by the circumstances in which it assumed its present shape furnishes a model which may well be worth following by other nations desiring to achieve

unity without sacrificing or impairing their national identity. The Commonwealth is a new political, economic, and above all spiritual conception, only half understood by ourselves, and still very new to the world. To give real life and creative power to that conception in our own case is, I believe, the true mission of our people. It is in that spirit that we can yet, if I may adapt Pitt's famous phrase, save ourselves by our exertions and the world by our example.

GATT-ings

Professor J. Zilstra, Netherlands Minister of Economic Affairs, at Geneva Conference:

'We must realise that restrictions in international trade which were discussed so often around 1930 were in fact more limited than those with which we are confronted at the present time. This may deepen our concern over the seriousness of the present situation.'

The Hon. Eric H. Louw, M.P., South African delegate at G.A.T.T. Conference, Geneva:

'I am sure it will be generally conceded that there must be something radically wrong with any international organisation which professes to pursue the objective of multilateral trade, and at the same time permits some of its members to force others in the diametrically opposite direction of bilateralism.'

Sir N. Raghavan Pillai, Indian delegate at G.A.T.T. Conference, Geneva:

'Let us squarely face the fact that there is no country in the world

today which is prepared to accept complete free trade even as an ideal.'

PROSPECTS FOR INDO-SOVIET TRADE

THAT the U.S.S.R. can provide a market for highly developed countries has been proved by the report of businessmen, particularly the British delegation which visited that country last year. The position, however, of an under-developed country like India is not on all fours with that of the U.K. or Western Germany. Russia has real shortages in certain heavy machinery sectors and is unable to export significantly the major requirements of under-developed countries in this field. On the other hand, because of the switch-over to the consumption goods industries, Russia is unwilling to buy India's consumer products like textiles. In other words the Russian form of trade with India is not one which will provide any balance in payments. Russians intend to trade with India merely to accumulate foreign exchange with which to import goods from advanced industrial countries.

Trade Union Topics

(1) MORE INFLATION or MORE LEISURE?

BY OSCAR SCHNABEL

THE EDITORS of *The New Leader* describe Mr Schnabel thus:

'Oscar Schnabel has been acquainted with almost all phases of economic life in Europe and the United States. A faculty member of the Vienna Academy of Commerce, he organised the Austrian Grain War Office in 1915. After the end of World War I, he served as the Austrian Republic's delegate to The Hague on matters pertaining to food. From 1920 to 1924, he was founder and Managing Director of the Reconstruction Bank for Austria, which later became the Netherlands Bank of Foreign Trade. Convinced of the inevitability of a financial crisis, he managed to liquidate all this bank's holdings before the crash. In 1931, he helped solve the Kreditanstalt crisis, and for nine years afterwards ran its Dutch affiliate, the Amstelbank. In the United States since 1940, he has travelled in some forty states, and served as an expert consultant to the War Department in the closing years of World War II. In 1945, he wrote a memorandum on the economic reconstruction of Europe which previewed the Marshall Plan.'

Just as our major fiscal instrument is the interest rate, so the major instrument for dealing with production should be the *work rate*, that is, the weekly working hours adequate to provide for the production of all our needs and for the full employment of our labour force. But, just as there are deviations from the basic interest rate for various kinds of creditors and debtors, there should be deviations from the basic work-week for different sectors of our economy, since their demands for labour will not change in the same direction at

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the same time and to the same extent. On the contrary, the primary aim of such a system of dividing available labour among the entire national labour force is to protect the national purchasing power by keeping as many sectors of our national production as possible going full speed despite reduced production in other sectors. Obviously, in some industries the primary necessity will be to reduce working hours so as to keep as many workers at work as possible. There may still be a surplus of workers in such industries who will have to switch to other sectors of our production; to make this possible, it will be necessary to reduce working hours in other industries which have not suffered from decreased demand. Such procedure will be possible only if the following principles are accepted and applied:

Variable Working Week

1. The principle of a variable work-week must be authoritatively established.
2. Neither the reduction of working hours nor their re-increase up to a work-week of 40 hours (or whatever lower standard is established in years to come) should alter take-home pay. This would insure the steady purchasing power of both our labour force and the dollar.
3. As long as there is unemployment, overtime work should be prohibited wherever it is possible to employ other suitable workers.
4. Organised labour must, for its own sake, recognise the necessity of broad job flexibility. If our trade unions regard themselves only as

syndicates to advance the interests of their own members without considering the problems of labour as a whole, we shall be unable to meet either the problem of ever-increasing productivity or that of returning to a true peace economy. Enlightened labour leadership must take the lead in preparing the necessary geographical and occupational changes involved in technical progress in different economic sectors, in changes in demand, and especially in the switch from war to peace production.

5. Labour should recognise that the disappearance of unemployment on a long-term basis is more important than short-term wage increases which are wiped out by inflation. It is not true that wage increases always favour increased consumption and thus create new jobs. If not based on the complete absorption of increased production, wage increases merely redistribute income; in the long run, because of their inflationary character, increases of this type decrease the national purchasing power. Therefore, labour should recognise as the next step in raising its living standards the extension of its leisure, rather than another 'round' of wage raises which do not increase real purchasing power. Labour's purchasing power can be instantly expanded by reduced taxation if and when we can safely decrease defence costs.

6. The consequences of the suggested spreading of jobs among the whole labour force will, of course, widely differ among different industries as well as between big and small business. Therefore, deviations from the established work-week, as well as from the general wage policy, will be necessary. Such deviations will have to be regulated by business-

labour negotiations, preferably under the auspices of the suggested Federal Labour Reserve Board, which should consist of representatives of business, labour, agriculture and consumers, as well as of Government departments involved (Defence, Labour, Commerce, Treasury, Welfare and State).

Most of the problems business will have to meet will not result from the suggested changes of the work-week, but rather from the circumstances that are the basic cause of these suggestions—namely, the transition from war to peace economy, and ever-increasing productivity surpassing normal increase in consumption. Barring global war, business simply cannot count on the continuous absorption of an ever-increasing potential product on a full-employment level at present working hours. Its problem, therefore, is to adjust to these facts without seeking refuge in inflation. In so far as civilian consumption can replace defence procurement and in so far as consumption can grow without inflation, these suggestions will have no new consequences whatsoever.

Technological . . .

But if and when civilian consumption cannot meet these conditions, business will have to cope with two kinds of problems, one technological, the other financial. Reduction of working time will, of course, have to be effected in full consideration of the special circumstances of each industry involved. Some may consider it best to reduce daily working time. Some might be better off by shortening the work one day a week. For some industries, it might be best to stick to the usual work-day and give the workers periodic off-days; for example, if a 38-hour work-week is the standard, each worker alternately

would get an extra day off once a month. Some industries might do better by extending annual vacations. This should not be too difficult to settle amicably between labour and management.

... and financial consequences

More difficult are the financial effects of a shortened work-week with continued full pay. Of course, paying the same wage for less work will increase production costs in the same way as wage increases. Where such increases are compensated by increased production (and that, let us recall, is the basic situation prompting reduction of hours), no problem should arise. Where reduced working time does not accompany increased productivity, however, production costs will rise and, with them, the tendency to increase prices. Such price rises would have much less influence on living costs than the already traditional rounds of wage increases. But they, too, should be avoided wherever possible, especially where they might reduce sales. In such cases, occasional deviations from the general rule might be necessary, either by not reducing working time, by reducing it to a lesser degree, or by reducing take-home pay. Regrettable as the latter would be, it would still be far better, both for labour as a whole and for the nation at large, than the creation of unemployment, which is, *de facto*, the present industrial method of coping with rising costs and decreased sales. If and when reduction of the national working time is made necessary by the reduction of our armaments, a moderate reduction of take-home pay might be fully compensated by tax reductions.

New Era

The suggestions of this study are,

in fact, nothing more than an endeavour to show how the historic advance of economic life since the Industrial Revolution should continue into the future. In the last century and a half, production and consumption have advanced to a degree undreamed of by our ancestors; parallel to this development, practically unlimited working time has gradually been reduced to our present 40-hour week. The pace of our technical progress is ever accelerating, and we now stand at the threshold of the atomic age with unforeseeable possibilities. It seems absurd to concentrate now on how to consume the maximum of our potential production and neglect the fact that we shall need less time for production and more time for consumption.

Beyond Economics

To cope with the problems ahead of us, we must approach them on a much broader basis than economics alone. We must start to teach our youth not only how to make a living but also how to live, in a life divided between decreasing work and increasing leisure. We are now paying for our fabulous technological advance, not only in losses due to inflation but also in increasing mental illness, juvenile delinquency, and unhappy and broken homes. We accept light-heartedly the fact that, while our material wealth is reaching ever-growing parts of our population, our spiritual and cultural progress is still the privilege of a comparatively small élite. For the sake of the healthy development of our democracy, we must give our working population more time to think and to meditate, to consume not only the goods of our farms and industries but also the achievements of our culture and the pleasures of nature.

(2) CAN BRITISH LIVING STANDARDS BE DOUBLED?

The Chancellor of the Exchequer, Mr R. A. Butler, told the Conservative Party Conference in October, 1954, that he 'saw no reason why in the next quarter of a century, if we run our policy properly and soundly, we should not double our standard of living'. In the following article, the Industrial Correspondent of The Statist examines this glittering possibility.

through increased pay and higher spending—has recently become more manifest. Hesitations here and there, growing pressure on key materials such as certain sorts of steel, mounting unfilled vacancies and wage claims which are more imperative—are these the danger signals?

Rising Industrial Production

Industrial production in the first half of 1954 showed a gain of 7 per cent over January-June, 1953. In later months the rise slowed down to 3 or 4 per cent. Nearly half the increase recorded in the first six months is attributable to three industries, only one of which (chemicals) is really basic, viz. vehicles (21 per cent), paper and printing (13 per cent) and chemicals (12 per cent). Less than average buoyancy has been shown by several large industries, such as textiles, food, building and building materials; and there was scarcely a rise at all in such activities as clothing manufacture, leather goods, drink and tobacco and, of course, coal mining. Coal is perhaps the only one of these to cause any real concern. Up to the end of October we had to spend £11½ million on coal imports, compared with £2¼ million in the same months of 1953.

The more cautious have taken this to be something of a pipe-dream of the boom psychology. On the other hand, at least two sober and serious economists have tried to show that the Chancellor's target is by no means unattainable.

Balanced Boom

Most people are content to take a shorter view. Superficially, the current boom—which was not altogether expected a year ago—is surprisingly well balanced. Although prosperity is naturally uneven, there are no serious pockets of unemployment (except in Northern Ireland) and, so far, serious bottlenecks have been avoided. Perhaps 1955 will be less free from one or other of these defects. It is noteworthy that progress was most marked in the first half of 1954, while the perfectly natural human tendency to demand a greater share in enjoyment of the boom—

Although the dominating engineering, shipbuilding and electrical group increased its output as a whole by roughly the average rate, performance within the group was patchy. Shipbuilding, where the outlook is obscured by a falling order book, and electrical engineering did

better than the mechanical group. There was a significant disparity between the rate of progress in the capital and consumer goods sectors. Industrial plant and machinery has been produced at a rate only about 2 per cent higher than in 1953, while the production of a wide range of metal consumer goods, such as domestic appliances and radio goods, has gone up sharply. It is the pressure from these sectors and from the motor industry that has led to the first acute shortage—sheet steel.

As in coal, higher imports here are increasing the strain on the balance of payments. Yet steel production as a whole has continued its strong upward movement. Non-ferrous metals output has risen even faster.

Exports and Consumption

Until the dock strike, exports were doing quite well, with roughly a 9 per cent rise in volume; and the increase for the whole of 1954 is still likely to be of the order of 7 per cent. This compares favourably with an increase of some 3 per cent in the volume of personal consumption. But it has been the consumer emphasis on durables, such as cars and appliances, which seems to have kept busy an engineering industry which might have been more usefully engaged on making more capital goods and exports.

Continental Comparison

U.K. performance looks rather less impressive when compared to that of Western Europe which, in the aggregate, seems to have been doing slightly better in raising industrial production than we have, while Germany and Italy, in particular, have been moving ahead much

faster. Over the first nine months, by value, Germany's exports rose 20 per cent, against U.K.'s 6 per cent. Exports of her metal-using trades have been mounting twice as fast as ours. Part of the explanation is that more than half Germany's markets are in Western Europe where prosperity in 1954 has been more marked than in the Sterling Area which accounts for half of our exports. Another important factor is that there is much more slack (particularly labour) in the Western Germany economy.

Since ability to compete through industrial efficiency is likely to be the decisive factor in the longer run, perhaps the most encouraging aspect of recent trends is an indication that industrial investment shows signs of rising.

Capital Investment

While there is no doubt about the high rate of capital formation in housing—an all-time high in 1954—other forms of domestic fixed capital investment are estimated at not much more than 5 per cent higher than in 1953. This is, despite buoyant stock markets, a high level of demand for manufactures and Budgetary stimulus in the form of investment allowances and so on. Capital schemes, however, take time to mature. Recently there has been a marked rise in the rate of approvals for new building—from 181 (new factories and extensions of over 5,000 ft.) in 1952, to 286 in 1953, and an annual rate of some 380 in the first three-quarters of 1954. The work is well spread geographically, with the emphasis on the development areas. This trend can hardly fail to augment the demand for plant and machinery, which may also in 1955 feel more investment from Budget-

any measures designed to stimulate the replacement of machinery in existing factories. Certainly all the recent talk of 'automatic' factories and the mechanisation of clerical work points to an ever increasing call for specialised plant.

Exports

The key to continued prosperity, however, is exports. So long as there is no major failure of markets in any main sector, it should be possible to maintain a high and rising rate of output generally. Shipbuilding is admittedly a weak spot. Motor vehicles, on which we now depend so heavily, may possibly prove to be another—although demand still continues strong. Doubts here arise from the possibility that world capacity outside the U.S. may be expanding too rapidly.

Any fall in the rate of output below optimum in mass production industry tends to have a disproportionate effect on costs. So, being highly-g geared, the mass production industries depend on a steady flow to maintain productivity and keep down costs.

For an industry such as motor vehicles, a break in demand would, therefore, tend to be much more serious than a major wage increase. But the opposite may well be true of the metal-using industries as a whole which now account for about half of our total exports.

Wage Demands

Hence one of the most serious possible consequences of the boom is the increasing pressure from the Unions to which it gives rise. High profits evoke big wage demands and render them more difficult to resist but the profits are usually far smaller

than the increment in the wages bill. Rising wage rates, therefore usually mean increased prices as well as—in a competitive world—reduced profit margins. That is why the Chancellor has been criticised in some quarters for holding out the promise of a double standard of living within a generation—without heavily underlining the means by which it can be achieved. It is noteworthy that the rise in the nation's real income from 1948 to 1954 was about one-fifth. But consumer expenditure rose by only half that amount. It is possible that after 25 years we may have to spend less, or relatively less, on new housing, defence, health and education and so on. But if we are to double the national income in the earlier years of the next quarter-century we must plough far more back into modern production capacity than we have been doing in recent years. This means that the consumer cannot expect to have his living standards raised by regular annual increments. We must devote our resources first to laying a solid foundation.

BRITAIN'S PART IN THE COLOMBO PLAN

GREAT BRITAIN has been the largest contributor to the Technical Co-operation Bureau based on Colombo. From the inception of the Plan in 1951 to November 30, 1954, Britain provided 137 experts and training for 763 students from member countries.

France and G.A.T.T.

Extracts from a Speech delivered by M. EDGAR FAURE, now Foreign Minister, at the 9th Session of the Contracting Parties, Geneva, November 8, 1954

THE Contracting Parties have decided and France, I would recall, was a party to the decision to review the General Agreement and to define more accurately the principles of commercial policy on which the Agreement is based.

Obstacles to liberalisation

The first obstacle derives from differences between the standards of living and in particular between the wage and social charges of the different countries. The existence of high wage and social commitments—a desirable result of progress—may change the conditions of fair competition for the worse. While it is true that trade causes a healthy international division of work which incites each country to carry out those activities which its natural resources allow it to carry on in the best conditions, this presupposes that competition does not encounter excessive differences in conditions of production which would nullify its effects. There can be no question of seeking a lowering of export prices at the expense of social progress or of adopting high customs rates leading gradually to a regrettable autarky.

On the other hand, customs tariffs may, as a temporary measure, serve to protect undertakings which are striving to offset backward productivity in order to reach the level of international competition and to develop types of production likely to promote higher standards of living. The country which I represent has

experienced these difficulties in no uncertain manner. Decided to liberalise its trade in accordance with the general principle of which I have just affirmed the value, it has had to introduce as a provisional measure a tax preparing the progressive and I hope rapid adaptation of our economy to a competitive régime. And I would add that the provisional nature of this tax will be confirmed in the near future by a government decision to reduce its rate.

Quantitative restrictions

The second difficulty is to decide to what extent trade is to be liberalised. While the principle I have just mentioned is of an absolute character, it is none the less true that the majority of the more advanced countries themselves maintain in certain sectors—strategic or agricultural for example—a number of quantitative restrictions. In economic matters, the need is gradually becoming apparent for full employment in relation to national institutions, which prohibits a State from relinquishing entirely certain rights or certain economic measures. This is not a doctrinal principle but a statement dictated by experience and which must not be forgotten during our discussions.

At the same time, the progressive abolition of quantitative restrictions is none the less necessary. I feel I am entitled to emphasise this point all the more as France has, for the past year, been making a great effort to

that end. Thanks to the existence of a system of multilateral payment we have been able progressively to raise the volume of liberalised trade with certain countries of the O.E.E.C. from 18 per cent in the autumn of 1953 to 53 per cent in April 1954 and promised to reach for the month of November has just been achieved. This progression will be pursued and before 1 April France will have liberalised 75 per cent of its global imports from O.E.E.C. countries. Our effort will not cease until it achieves the common limits defined by the O.E.E.C. itself when that organisation asks Member States to provide it with nil returns.

Social versus Economic

The last obstacle derives from the internal economic situation. The obligatory nature of economic laws within individual countries and in the international field has come to be less and less accepted during the course of the twentieth century. This relaxation, regrettable, perhaps, from a theoretical standpoint, marks an important conquest: the priority gradually given to social matters over economic considerations. Phenomena such as sudden changes in industrial activity, large-scale unemployment and a general slump in agricultural prices are no longer tolerated by certain countries. It would be paradoxical or false compliance to claim to respect at an international level laws which are no longer recognised as obligatory nationally. The obligatory nature in this case must give way to normalisation.

Ways to Freedom of Trade

These reflections, based as they are on the observation of the results of

the last ten years' policy, do not lead us to minimise the value of the principle of free trade. It merely shows us that the way to complete freedom of trade does not lie along a single path but along three parallel paths, including:

- (1) customs measures compensating for and ultimately reducing the inequalities between the charges supported by the different economies of the world;
- (2) a progressive abolition of quantitative restrictions; and
- (3) the co-ordinated and dynamic progress of the country's internal economy.

Scope of G.A.T.T.

The aim of the treaty which we are called upon to prepare is to promote the development of more liberalised commercial exchanges by the expansion of markets and international commerce. In order to remain faithful to the arguments I have just put forward, it appears essential that the organisation to be set up should be given competence to deal with all the conditions necessary for the realisation of free trade.

In the first place, it goes without saying that it would be vain to wish to provide it with measures of intervention in the internal policy of States.

The second problem concerns the abolition of quantitative restrictions. I know that delegations from a number of countries intend to propose that the scope of the Agreement should be broadened in this field. While agreeing with their sentiments, I must personally express a certain amount of doubt as to the practical possibilities of this extension.

Value of regional authorities

Whatever the result of the current

enquiries into convertibility, I personally think that, in view of the varying facets of the problem of the liberalisation of trade in different parts of the world and the state of economic progress of the different nations, regional authorities are best suited to study them.

I shall give two examples: The O.E.E.C. has obtained outstandingly remarkable results within the frontiers of Europe. These results were obtained thanks only to very close personal co-operation between the Ministers responsible for economic affairs in the different countries in question. The institutional strength of the O.E.E.C. was not only increased but also to some extent defined by the personal character conferred on it by that co-operation. At the same time, this co-operation was possible only within a geographical unit which was sufficiently homogeneous.

The efficacy of this method was recently confirmed when we broached in common the problem of extension of those commercial facilities to countries situated outside Europe.

Interests of Underdeveloped Countries

The second example refers to relations between economically developed countries and those in which the standard of living is somewhat backward. It would be vain and even unfair to attempt to impose on countries, which are striving to develop and improve the conditions of their backward production, the abolition of quantitative restrictions which would open their markets to competition which they would be unable to meet. For such countries for shall inevitably be led to provide we escape clauses which, as a result

of their extension, will ultimately undermine the general conditions and perhaps the substance of the obligation laid down.

Customs tariffs

On the other hand, we find in customs tariffs the very field where an attempt should be made to strengthen and extend the attributions of the General Agreement.

The results obtained so far allow us to foresee methods of examination and legal stipulations better adapted to real requirements than those included in the General Agreement as it now stands.

A special clause would have to be included concerning tariff relations within certain political communities including both industrialised territories and under-developed regions.

Development of the French Union

It is true that so far the General Agreement has permitted the establishment and the implementation of such agreements, but the French Government intends to go still further. Thus so far as concerns the French Union, there is a question of simplifying the circulation of goods within and outside the Union and between its component territories and the other countries of the world. This plan must make provision for recasting a number of tariff systems which on account of special circumstances have been drafted in very different terms.

France devotes every year large amounts of public and private capital to promote the development of the French Union in which it has invested since the end of the war an amount exceeding the total loans granted by the International Bank.

It is indispensable that this movement of capital be developed so as to

permit, in particular, the industrialisation of overseas territories, without which there can be no rise in standards of living, and also to diminish production costs in the French Union. Our overseas territories must, through the massive financial assistance of the metropolis, be put in a position to raise progressively their price levels to the level of world prices.

To this end, the Government must assure the financing of the investments necessary for the development of the agricultural, industrial and mining output of the overseas countries, by increasing in the overseas territories modern agricultural methods and the appropriate economic measures in the field of co-operation, banking and the organisation of markets, by reducing the fiscal charges which weigh on the undertakings and by introducing the necessary measures of co-ordination in commercial and customs matters.

For this programme to succeed, it is essential that no excessively rigid provisions and especially customs duties should hamper the movement of goods and capital essential for the development of the overseas territories. The provisions of the new agreement should, therefore, not oppose the tightening up of the economic links between France and its overseas territories and France will request that certain articles be amended in order to permit—in conditions fixed by common agreement—the formation of real economic and commercial communities between peoples united by political links.

Measures of Intervention

The maintenance of quantitative restrictions is linked, under the present system, with the continuance

of a deficitary balance of payments. This view which has the advantage of referring to an objective and easily calculable notion is none the less confuted by the maintenance of numerous quantitative restrictions by countries with a credit balance of payments.

The French delegation, therefore, wonders whether this omission should not be rectified by the introduction into the text of Articles XI-XIV of provisions necessary to take account of commercial restrictions different from those justified by a deficitary balance of payments, and to provide procedure designed to abolish them.

Some such procedure could be based on that which was carried out by O.E.E.C. at a regional level in what I consider to be most favourable conditions.

But it should be so conceived as to allow a reduction of tariffs and the liberalisation of exchange to be carried out at the same speed. Just as a too-sudden reduction of customs protection is liable to endanger the future progress of trade liberalisation, so it may be feared that the precipitate abolition of quotas may give rise to a new wave of customs protection.

To obviate that risk, the French Government would be prepared, as soon as agreement is reached on an adequately realistic regulation of quantitative restrictions, to consolidate the tariff levels reached for a further period.

Finally, and herein lies one of the greatest difficulties we are likely to meet in this connection, we shall have to take measures to promote the development of countries whose progress has been slowed down by geographical and historical factors. In this connection I note that the

instability of the relationship between the prices of primary products and manufactured articles is an important cause of the unrest which affects those countries. The regulations we would propose should include a special section for those countries which would be a sort of statute under which they could be grouped once and for all.

Problems of European Unity

(1) SOME NEGLECTED ASPECTS OF ECONOMIC UNION

BY H. A. LANE

OVER the last five or six years, there has been much discussion about the need to eliminate trade barriers between the different countries of Western Europe. The political aspects, particularly those concerning the question of national sovereignty, have been thoroughly examined, as have the expected advantages in terms of living-standards. What has, however, been but lightly touched upon is the price payable for these gains in human or other terms, and the possibility of reducing it to acceptable proportions by adequate safeguarding and planning.

This neglect has had several causes. Many writers have been so preoccupied with the global effects of integration that they have neglected the regional effects, whilst others have often been unwilling to admit in public that such difficulties, in connection with the policy they advocate, are in fact important. Finally there have been the econo-

mists of the *laissez-faire* school who prefer not to mention a new ground for State intervention.

Price of Union

Thus it has been left to a few rather lonely voices, largely those of parliamentarians with an eye on their constituencies, such as the British and Scandinavians of the early Strasbourg days, to put their fingers on the weak spot. The case put forward by these latter ran roughly as follows: 'In our countries, whether by good policy or good fortune, our people are enjoying full employment in most areas. In those areas which are less fortunate the Government is taking active steps to help. You set before us the possibilities of a common market; we agree with you upon the great gains that could result, but are you not neglecting the price to be paid and the need to protect the weak from suffering as a result of it? Before we

can agree, we must first be sure that these points are adequately met.' So far, very few people seem to have taken this plea with the seriousness it deserves, by examining the negative effects of economic integration and by seeing what complementary policy could be devised. It is this need for some kind of answer that has inspired this article.

Fear of Unemployment

The chief fear that is entertained concerning the creation of a common market in Western Europe is that of unemployment arising from the elimination or reduction in the output of firms at present protected. Part of this fear (the part with which this article is mostly concerned) lies in the belief that different countries and different regions may be affected unequally by the change.

Even within our national States a problem exists because of the unequal distribution of flourishing and declining businesses throughout the country. We all know that there are big differences in the prosperity of our different towns and regions. Our national and regional capitals, our many-sided industrial towns and others full of expanding firms, are prosperous, whilst on the other side of the picture are areas with obsolete industry, or with a dominant industry experiencing a decline in the demand for its products and unable to adapt itself for lack of capital or flexibility. Such places may yet be well situated geographically, but they have the air of depression and, without the intervention of the State, enterprise from outside will bypass them.

Location of Industry

At a national level, this situation has led to State intervention in the

field of location of industry, this being particularly developed in Scandinavia, Britain and Holland. Even the more 'liberal' countries such as France, Germany, Switzerland, and Italy have begun to move in the same direction.

Where economic integration is concerned these experiences lead us to two conclusions which we shall examine in more detail. First, if competition within a country has given rise to depressed areas, it is very likely that increased international competition will add to their number. Secondly, if national location of industry policies have become necessary, so will a confederal location of industry policy become necessary.

Regional Differences

In examining the effects of increased international competition upon different regions we cannot assume that the areas gaining from it and those losing by it will coincide. This is because the economic regions of Europe are very different in strength and structure; in some cases their survival has hitherto depended on some kind of protection.

There are those regions which are full of modern competitive enterprise and those with a high proportion of obsolete industry incapable of adaptation. Then there are those of diverse industrial structure (or which, if unbalanced, are still dependent on growing industries) contrasted with other areas dependent on a single group of stagnating or declining industries. It should be clear that the effects of economic union will be quite different depending on the category into which an area falls. The areas with plenty of diverse up-to-date industry will not be badly affected. Thus the industrial and

commercial capitals or other centres such as Manchester, Cologne, or Strasbourg would have little to lose; no more would areas such as Eindhoven, Coventry or Stafford, which depend on a growing industry able to adapt itself.

Quite different would be the fate of areas dependent on a single stagnating industry. Technological unemployment in the weaker areas may well be severe, whilst there will be little indigenous growth to absorb those thrown out of work. Thus those parts of Lancashire, Yorkshire, Flanders, or the German Rhineland largely devoted to textiles would be severely hit, and so would areas dependent on marginal extractive industries such as the Borinage or Lancashire coalfields.

Probably the first areas to suffer from even a small dose of competition would be those, found particularly in France, which contain a large number of firms using obsolete methods. These, with the ports and other communications centres losing their trade as the result of integration, will form three types of new depressed area to be added to those already existing. (Agriculture, which is outside the limits of this article, would provide others.) The sheer extent of the problem will therefore make a compensatory policy essential as a complement to integration.

Policy for Transition

A policy must be worked out to ease the transition, and it must function within a confederal union. First and foremost all countries must undertake to do all in their power to maintain a high level of employment. Next, the removal of barriers must proceed by orderly stages, all industries being affected simultaneously

and firms being warned well in advance so as to be able to adapt themselves. All this is not new, and seems to be generally agreed upon; it is, however, insufficient.

There must also be a detailed survey made of the probable consequences of union upon employment in the different areas, and of the limits to migration within countries which are likely or desirable. Areas facing decline must also be examined, with a view to the location of new industries, and the pros and cons of planned evacuation in some cases must be squarely faced.

Development Fund

On the institutional side a confederal body operating a development fund would be set up to inform and co-operate with national location of industry authorities. This confederal body would have no sovereignty over national bodies, but would give grants to those of the nationally-scheduled development areas which were considered most in need of them from a European point of view. This fund would be financed by national States in proportion to national income, thus requiring delicate adjustments in the system of international payments before integration could be completed. In addition the confederal council would have to decide upon a uniform system for the scheduling and de-scheduling of depressed areas, and upon rules to prevent unfair competition between different areas.

Such a system, if backed by adequate finance and a sufficient degree of international unselfishness, should have a fair chance of counteracting the worst effects of economic union, provided that general conditions were not unfavourable.

(e) TOWARDS A SCANDINAVIAN CUSTOMS UNION

BY DAVID PHILIP

The January meeting of the Nordic Council, representing the Governments and Parliaments of Denmark, Iceland, Norway and Sweden, lends added interest to this specially contributed article

FOR over a generation, the co-operation between the Scandinavian countries has been an example of regionalistic integration. The integration started in the cultural field and was made possible by ethnic, linguistic, constitutional, religious, social, economic, juridical, political and even military similarity, and in several instances even identity.

Historical Background

Political and economic integration would make the 'Norden' group a bloc fourteen to fifteen millions strong, covering a surface nearly equal that of France and Germany. But here it is necessary to proceed cautiously, for while throughout Scandinavian history there runs the thread of unifying factors—same race, same religion, originally same language, similar traditions, continuity, a nearly identical social structure—there runs also a centrifugal current: each country wished to fend on its own. Medieval attempts to unite the countries, mainly to check German Hanseatic supremacy, always took the form of dynastic union and conquest.

Since Denmark was for long both the richest and the most populous of the Scandinavian countries, it was Denmark which tried to unite the North in subjection to her. Hence the Kalmar Union of 1389, when Queen Margaret of Denmark tried to unite Norway, Sweden and Denmark into one realm, was bound to fail. The Norwegians and the Swedes refused to become Danes, or to be treated as provinces of Denmark.

The stronger Swedes successfully rebelled against Danish rule and thus started nearly three hundred years of Swedish-Danish Wars. The weaker Norwegians, decimated by the Black Death, were gradually reduced to near Danish 'colonials'. All this the Scandinavians remember. Political integration must needs be a final sanctioning of an actually existing state of affairs.

World War I

World War I brought the three monarchies together economically, not merely because of their national affinities but because they constituted an island of neutrality in a war-torn Europe and had to fight the blockades together in order to import in bulk the foodstuffs and raw materials without which their survival would have been impossible.

To some extent the national economies supplemented one another and their war-imposed economic co-operation caused the idea of a United North to grow in strength. New forms of co-operation were thought of and new procedures for implementing them were devised.

Beginnings of Economic Co-operation

Economic co-operation seriously started as early as 1843; the possibility of regional free trade and of a currency union were seriously discussed. Denmark and the Norwegian-Swedish Union had the same currency: the crown (*kroner*), subdivided into 100 ore.

In 1865 there took place a Congress of Scandinavian Political Economists. Ten years later, a Monetary Union between Sweden-Norway, Denmark-Iceland was established. (Norway waited until 1877 to join.) In 1885 a Commerce Congress took place in Copenhagen at which a Customs Union was very strongly recommended. But the idea was premature. At a time when Sweden's was mainly an industrial economy, Denmark's an agricultural, while Norway based its own mainly on seaboard traffic, a customs union should have been easier to realise than later, when both Denmark and Norway had built up their own industries, and Sweden had modernised and expanded her agriculture. With all three countries engaging in fishing, carrying trade, light and skilled industries, mainly metallurgical and engineering, as well as fully developing their agriculture, particularly dairy-farming, the national economies of Sweden, Denmark and Norway, so far from being complementary, became highly competitive. Indeed, the three countries began to compete on one another's home markets, and had to raise their mutual tariff walls to protect their new industries.

World Depression, World War, Post-War

During the world depression of the 1930's, this competition decreased appreciably and talks about economic co-operation as a step toward integration were resumed.

The Second World War weakened the three economies, and at the end of the war a committee was set up by the Governments of Sweden, Norway, Denmark and Iceland (now fully independent) to study and plan a Customs Union. But O.E.E.C. and

other post-war economic developments changed the situation and the plans were redrawn.

Reciprocity already existed with regard to social insurance and assistance; passports between the northern countries were no longer required; a common labour market was in existence. An Inter-Parliamentary (Scandinavian) Association had been formed and a Northern Council consisting of the three Foreign Ministers. The Scandinavian Parliamentary Council, consisting of representatives of the Parliaments as well as the Governments of Denmark, Sweden, Norway and Iceland, held its second session in Oslo, in August. Economic questions dominated the conference, and the recent report of the Joint Scandinavian Commission for Economic Co-operation, dealing mainly with the prospects for establishing a joint Scandinavian market for specific branches of industry, was thoroughly discussed.

A subsequent meeting of the Prime, Foreign and Economic Ministers of the Scandinavian countries sanctioned that experiment.

Customs Union?

In 1897 the customs union between Norway and Sweden had to be abolished because there was no co-ordination of the external tariff systems. Tariff questions are now being carefully studied and debated. Norway has the greatest need of protection. Her new electro-metallurgical and electro-chemical industries, very economic in the long run, once amortisation charges have been met, will not yet stand the full weight of Swedish competition. The German 'scorched earth' policy in Northern Norway during the Nazi retreat before the Russians in 1944

has made complete economic reconstruction possible.

The branches considered most suited for a common market are: the furniture industry, the chemical heavy industry, the dye and lacquer industry, the china and porcelain manufactures, the leather and footwear industry, the textile industry, agricultural machinery and industrial tools and the wireless industry. Their competitiveness is similar and a common policy for exports to non-Scandinavian countries would prove beneficial.

To sum up

The following are obstacles to

closer integration:—

1. About 88 per cent of Scandinavian foreign trade is with the outside world. Intra-Scandinavian trade is thus limited to 12 per cent, although it could be extended by the use of mass-production methods.

2. Economic integration would limit sovereignty which in the case of Norway was only regained in 1905 after more than five hundred years' subjection first to Denmark, then to Sweden. Iceland only regained full independence in the last war.

On the other hand, 14 million Scandinavians (15 million with Iceland) would have much greater economic bargaining power.

Britons in Work

At the end of November 1954 the number of persons in civil employment, industry (commerce and services of all kinds) was 22,680,000, an increase of 50,000 since the end of October.

There was an increase in the manufacturing industries of 40,000 which included 30,000 in the metals, engineering and vehicles group. The other main changes in employment were an increase in distribution and a decrease in agriculture, both of which were largely seasonal in character.

The strength of the Forces at the end of November was 834,000.

BRITAIN'S SHARE OF WORLD TRADE

ACCORDING to Professor W. Arthur Lewis, since 1870 Britain's share of world trade in manufactured goods has steadily declined, falling from about 40 per cent of the then total to 19.8 per cent in 1953.

BRITISH COLONIAL POPULATIONS

Territory	Date (a)	Population '000	Date	Population (b)
Somaliland Protectorate	1921	352	1952	640
Kenya ...	1921	2,535	1954	5,947
Uganda ...	1921	3,000	1954	5,425
Tanganyika ...	1921	4,117	1954	8,196
Zanzibar and Pemba	1924	200	1953	274
Northern Rhodesia	1921	1,000	1954	2,071
Nyasaland ...	1921	1,200	1954	2,484
Gambia ...	1921	200	1953	289
Gold Coast (including Togoland) ...	1921	2,300	1953	4,478
Federation of Nigeria	1921	1,900	1953	31,500
Sierra Leone	1921	1,500	1952	2,000
Singapore	1921	420	1954	1,165
Malaya ...	1921	2,907	1954	5,889
Brunei ...	1921	25	1953	53
North Borneo	1921	257	1953	355
Sarawak ...	1939	491	1953	592
Hong Kong	1931	850	1953	2,250
Cyprus ...	1931	348	1954	514
Gibraltar ...	1921	19	1953	25
Malta ...	1921	212	1953	317
Bahamas ...	1921	53	1953	85
Barbados ...	1921	155	1953	221
Bermuda ...	1921	20	1953	39
British Guiana	1921	298	1953	459
British Honduras	1921	45	1952	72
Jamaica and Dependen- cies ...	1921	873	1953	1,486
Leeward Islands	1921	452	1953	799
Windward Islands	1921	200	1953	295
Fiji ...	1921	157	1953	317
Gilbert and Ellice Islands	1931	34	1952	38
New Hebrides ...	(c)	—	1952	53
British Solomon Islands...	1931	94	1952	99
Tonga ...	1939	34	1952	50
Falkland Islands	1921	2	1953	2
Aden ...	1921	57	1953	800
St Helena	1931	4	1953	5
Mauritius	1921	382	1953	530
Seychelles	1921	24	1953	38

Notes: (a) Year nearest to 1920 for which information is available. The totals for African Territories are mainly estimates.

(b) Latest mid-year estimate.

(c) No information available.

From Hansard, December 16, 1954

Changes in the Canadian Economy

THE Canadian economy has changed considerably in the post-war period. Like a new-model car, it is a larger product with many new features and a brighter, more affluent appearance than the pre-war version. It has excited much favourable comment both from observers who have viewed it from the outside, and from those who have seen its interior. Yet there must have been some who wondered how the new model would perform if the road it were travelling changed from smooth asphalt to rough gravel; whether, in short, its basic structure was as sound as its body was impressive. The past year, although not perhaps providing the severest of tests, has at least shown that the Canadian economy possesses an ability to withstand a fair degree of strain. As 1954 drew to a close, moreover, there were signs that the road ahead may be somewhat smoother than that recently travelled.

Lower Wheat Sales

The main source of economic stress during the past year was a weakness in the export demand for a number of Canadian products. The international market for wheat was at a low ebb, and external sales of Canadian wheat and coarse grains in the ten months through October were, at \$388 millions, 40 per cent below those of the same period a year ago. A moderate recession in the United States, together with reduced demand for particular goods in other countries, adversely affected exports of such commodities as automobiles, steel, ferro-alloys and electrical

apparatus. Offsetting these to some extent were increased shipments of newsprint, pulp, fish, nickel, aluminum and chemicals, in all of which the strength of demand overseas was an important factor. In addition, there has been a noticeable improvement since the spring in sales of lumber, base metals, iron ore and farm machinery to both the U.S. and overseas markets, with the result that for the year as a whole exports of these products equalled or bettered those of last year. However, such instances where comparison was favourable were outweighed by those of sharp decline, and total merchandise exports in the first ten months were 8 per cent lower in value than in the corresponding period of 1953.

Capital Expenditure

In contrast to the weakness of export trade, the demand for goods and services needed to build new productive facilities and housing in Canada appears to have reached record proportions and to have been a strong sustaining influence in the economy. An official survey at mid-year indicated that new capital expenditures for 1954 would probably amount to \$5,826 millions, some 3 per cent greater than in 1953. There was some reduction in outlays for mechanisation in agriculture and for expansion of manufacturing capacity. But in mining and petroleum development, in merchandising and finance, in communications and hydro-electric power, in schools, hospitals and housing the value of

From The Bank of Montreal Business Review

new construction and equipment scheduled to be put in place exceeded last year by a substantial margin.

Retail Trade

Retail trade varied considerably between different areas of the country and between different commodities. The effects of the slow movement of grain, followed by a poor harvest, were clearly evident on the prairies, where in Manitoba, Saskatchewan and Alberta retail sales in the first nine months were down 3 per cent, 12½ per cent and 7 per cent respectively from a year earlier. Elsewhere, results were in total marginally above last year despite a shift in the pattern of consumer expenditure. Motor vehicle dealers throughout the country experienced a sharp reaction from 1953's record sales, while clothing, furniture and retail building materials were also sold in lower volume. But offsetting these reductions were increases recorded by food and variety stores, by retail outlets featuring television sets and, reflecting an abnormally cool and damp year, by suppliers of fuel.

Demand for Goods and Services

It will be apparent from the foregoing that there were decidedly mixed movements in the composition of demand for the nation's output of goods and services in 1954. Demand in the aggregate followed a relatively stable trend, with higher capital outlays largely off-setting lower export sales, but there was less evidence of stability in its component parts.

Inevitably, the contrasting movements had their impact on industrial output. In the first nine months' comparison, production in the primary iron and steel industry

was down 23 per cent from 1953, in motor vehicles 24 per cent, in textiles 20 per cent and in clothing 15 per cent. On the other hand, in such industries as chemicals and paper products, higher production was achieved. Mineral output also rose, aided by a continued growth in petroleum and the coming into production of new ore bodies, the copper-nickel deposits at Lynn Lake and the Quebec-Labrador iron fields being outstanding examples. Notwithstanding increased activity in these industries, however, the overall index of industrial production during the first three quarters averaged 2.4 per cent below 1953, and at latest report in September was down 1.2 per cent from a year earlier.

Among the more buoyant sectors of the economy were the public utilities and the merchandising and financial institutions engaged in providing services and facilitating the movement of goods. But here, too, there were exceptions. The railroads and shipping companies carried considerably less freight than in 1953, mainly in consequence of the drop in exports of grain, and were forced to reduce the number of their employees accordingly.

Transport

It deserves to be pointed out, however, that the problems faced by these transportation companies are more than loss of tonnage. Canada's ocean shipping fleets have for some years unsuccessfully endeavoured to maintain a competitive position with those of other countries while at the same time paying wage rates consistent with prevailing levels in Canada. The position of the railroads was outlined by Chief Justice Sloan in his capacity as the officially appointed

arbitrator in the recent dispute between the railroads and the non-operating Unions. His report averred that the freight rate structure of the railways 'is in a state of distortion and imbalance due in great measure to the effects thereon of the Crow-est Pass rates'. These low rates, which are at the same level today as they were in 1899, are governed by statute and apply to the movement of grain and grain products from the prairies to the lakehead and the Pacific coast. While observing that such rates have contributed to the economic stability of the nation by moving the wheat crop to world markets at competitive prices, Mr Justice Sloan concluded that they constituted an iniquitable burden for the railways and recommended that 'some fair share at least of this burden should be shouldered by the people of Canada from the National Treasury'.

Employment

Probably the most closely watched statistics in 1954 were those relating to employment. As activity slackened in one industry after another last winter, employment declined to the point where in April the official monthly survey of the labour force disclosed that the total number of civilians with jobs was 2.4 per cent below the same month of the previous year. The number classed as being without jobs and seeking work reached a peak of 318,000 in March, 6 per cent of the civilian labour force at that time. Thereafter unemployment, so defined, fell sharply and at latest report in October stood at 179,000 as compared with 111,000 in October 1953.

The forces at work to reduce unemployment in this period were many and varied. Part of the

improvement was of a seasonal nature, there being a number of activities which normally reach their peaks in the summer and fall. Part also may be attributed to a more than seasonal improvement in those industries already mentioned as having been noticeably strong. But in addition there appears to have been some adjustment within the labour force itself. Thus, whereas from 1939 to 1953 there was a consistent drift of workers from agricultural to non-agricultural employment, this year the trend was reversed. The number of persons estimated to have been working on farms in October was over 100,000 greater than a year earlier. It would therefore seem that agriculture, which heretofore had experienced a labour scarcity, took up some of the slack created by lessened opportunities in some of the non-agricultural occupations. Furthermore, much of this return to the land has been in the category of 'unpaid workers'—mainly members of farm families.

Pay

But despite these trends, and despite the lower level of employment throughout most of the year, total salary and wage income was up 1.8 per cent over 1953 in the first nine months' comparison. The main explanation for this apparent paradox is to be found in the higher average wage rates prevailing last year than the year before; in manufacturing, for example, hourly earnings averaged \$1.41 in the year to September as against \$1.35 in the same period a year ago, and similar movements were evident in other fields of employment. It is to be noted, however, that the rate of increase in hourly earnings tapered off markedly in 1954, and the margin of gain was

much less than that which occurred in 1953 or in any other year since 1946.

The Balance Sheet

The maintenance of a high level of income and expenditure in the face of a significant decline in exports was one of the encouraging aspects of 1954. There were other, though less prominent, grounds for confidence. The official index of unfilled orders on the books of manufacturing companies remained relatively stable during most of the year and at latest report in September was 9 per cent

higher than a year earlier. Inventories of raw materials held by manufacturers, after declining sharply throughout the fall and winter of 1953-54, have since been held at a fairly constant level. In recent weeks there have been indications of some improvement in business conditions in the United States and of some recovery in the overseas demand for Canadian grain. Such features as these may be drawn upon to justify the view that business activity in general may resume a rising trend in the not too distant future.

TIMBER

THE World Forest Inventory of 1953, prepared by the U.N. Food and Agriculture Organisation, showed that about 3,915 million hectares of the world's surface, equalling about a third of the total land area, is covered by forest.

Of this we are exploiting about 1,127 million hectares, or slightly less than a third. Another 647 million hectares are classified as accessible but not in use. 2,141 million hectares, or well over half the world's total forest areas, are classified as inaccessible.

Of about 96,000 million cubic metres of timber of all sizes, only about 13,000 million cubic metres per year are being extracted.

* * * *

The Empires of Europe in World Trade

As has been shown in the recent report of the G.A.T.T. secretariat—*International Trade, 1953*—the development of international trade since 1951, when prices reached their maximum level after the outbreak of the Korean War, has been characterised by two main features: first, the reduction in the adverse trade balance of Western Europe *vis-à-vis* North America and the dollar area as a whole, and second, the tendency for trade to be particularly well maintained, or even to expand, in regional channels.

While mainly due to the increase in Europe's exports of manufactures to North America, the recent improvement in Europe's dollar position was also, especially since 1951, the result of greatly reduced imports of primary products from dollar sources. On the other hand, the simultaneous intensification of international trade in regional channels—including trade between Continental Western Europe and its dependent overseas territories, and between the European and overseas sterling areas—took mainly the form of increased imports by the 'industrial' members of each region. Hence the inference clearly is that the two principal features of recent international trade development are linked.

From the G.A.T.T., Geneva, October 1954

Main Results

The dependent overseas territories have been able to expand their exports to the markets of the metropolitan countries between 1951 and 1953, while the imports of these countries from other non-industrial sources suffered severely.

This expansion of imports from the dependencies was largely accounted for by 'dollar commodities', while imports of these commodities from the dollar area fell.

There was therefore a close connection between the improvement in Western Europe's dollar balance and the tendency toward regional trading.

Production of dollar commodities in the dependencies has more than doubled since pre-war, while production of other primary products has increased by only 10 per cent.

However, there are indications that the prices of dollar commodities supplied by the dependencies have recently continued to rise, while the prices of these commodities originating in the dollar area have fallen.

While production of dollar commodities in the dependencies is likely to expand further, the ultimate success of their contribution to the permanent solution of the dollar problem hinges on the further course of efficiency of dollar commodity production and on the resulting price developments.

European Nuclear Research at Geneva

If the Governments of twelve European countries: Belgium, Denmark, France, Great Britain, Greece, Italy, Netherlands, Norway, Sweden, Switzerland, West Germany and Yugoslavia, have agreed to pool resources to build at Geneva the world's largest nuclear research institute, costing at the start Fr. 120 millions to equip, Fr. 7-10 millions yearly to maintain, employing about 100 chosen research scientists and about 200 to 300 student, engineering and supporting staffs, their reasons must be exceedingly weighty.

The Goal in View

Research in this field has become so costly that no single European Government could afford the outlay. To accomplish anything useful, a new era in European team-work has had to be inaugurated. But unless the twelve Governments had been convinced that the practical results would ultimately justify the outlay; the costs in money and men would not have been incurred. Nevertheless, up till now, the natural curiosity of the public in all twelve countries about the advantages that might reasonably be expected if the research is successful, has not been satisfied.

Confused Issue

This is not necessarily the fault of the pioneers of research in nuclear science. Much confusion has been caused because, in the last year or two, the newspapers have had so

much to say about progress in attempting to make available for industrial use the energy set free by atomic fission. We live in an age when the whole world is straining every sinew to augment production, so as to raise the standard of living. World-wide industrialisation, the mechanisation of agriculture, the spread of aviation and the multiplication and motorisation of all forms of transport implies a voracious increase in the demand for energy. We are rapidly exhausting the existing sources. Years ago it was thought that the world's coal reserves would be ample for at least another thousand years. But all efforts to increase the output of coal have failed. The disinclination of men to work underground grows stronger every year. So coal becomes dearer and dearer. Even at the present rate of consumption, the world's supply of mineral oil would last for less than a hundred years. Already the exhaustion of the latent resources of hydroelectric power repaying exploitation is in sight. *Unless the inexhaustible reserves of energy latent in the atom can be tapped at a sufficiently low cost, all progress towards a world of 'well-being for all' will be frustrated.*

Cosmic Ray Research

So most people mistakenly imagine that the object of the European teamwork in nuclear research now being organised at Geneva by the C.E.R.N.—European Council for Nuclear Research—is to hasten the coming of the time when atomic

power will be available at a cost justifying its use industrially. *But the research being organised at Geneva has nothing to do with nuclear fission.*

Expressed figuratively, what we want to do in Geneva is to build 'a cosmic ray factory'.

This would enable us to study the nature and behaviour of mesons. But to do this, we need to be able to generate a stream of protons moving at a velocity nearly as great as that of light. Energy on the scale needed is not yet available anywhere. To build the plant will take several years. An apt name for the equipment would be 'cosmotrone', but, as twelve European countries are to collaborate, the proposal has been made to call it the 'Europatron'.

To what results of practical eco-

nomie utility these nuclear researches might ultimately lead is as yet a matter of pure conjecture. Until the day of his death, Professor Rutherford refused to believe that through his discovery energy on a scale and at a cost of practical use on an industrial scale would ever be made available. Today, atomic fission is already a source of industrial energy on a small scale. Atomic demolition would be operation on a still higher plane.

But to turn the results of nuclear research at Geneva to practical account would not be the task of that institute, whose realm is that of pure science only.

The choice of Geneva in neutral Switzerland as site of the 'Europatron' makes it self-evident that this work is of no military significance.

Industrial Progress in Western Europe

The Statistical Bureau of O.E.E.C. gives the following indices of recent progress in the industrial production of Western European countries, on the basis of 1952 = 100.

	1953		1954	
	1st half	2nd half	1st half	2nd half
Belgium
Britain
Denmark
France
Germany (Western)
Holland
Italy
Norway
Sweden

U.S. Strategic Materials Stockpile

On the recommendations of a special Mineral Policy Committee, President Eisenhower has established new long-term objectives for the U.S. strategic mineral stockpile. The objectives are calculated on the assumption that supplies from abroad will not be available to the United States in time of war except from a limited group of countries. It is also intended to ensure a supply sufficient to offset possible destruction of major metal and mineral producing facilities within the United States. Materials will be upgraded and refined to the point at which they will be more readily usable in an emergency. The policy aims at fulfilling stockpile objectives from all sources as quickly as possible, but purchases of materials will also be made to alleviate distressed conditions in domestic mineral industries that are an important element in the mobilisation base of the nation, and preference will be given to newly-mined metals and minerals of domestic origin. Thus, the Government will be acquiring metals and minerals in excess of minimum needs if it is necessary to assist depressed industries.

Metals and Minerals

Metals and minerals will be acquired from foreign sources by the exchange of surplus agricultural commodities, whenever such action is consistent with the U.S. over-all

trade policy, as well as by the transfer of materials declared surplus. The Commodity Credit Corporation is conducting a barter programme for the exchange of C.C.C.-owned agricultural commodities for strategic and critical materials produced abroad and needed for the U.S. stockpile. In the first half of 1954, \$1.4 million worth of strategic and critical materials was acquired in this way; and as of June 30, 1954, the C.C.C. had acquired or contracted for, under this programme, about \$81.4 million worth of such materials as extra-long-staple cotton, industrial diamonds, metallurgical chromite, silk, waterfowl feathers and down, and mercury. These materials are purchased from the C.C.C. for the national stockpile at fair market value. Additional activity is expected as a consequence of the Agricultural Trade Development and Assistance Act of 1954.

Materials added to the stockpile in the first half of 1954, were valued at \$344 million, bringing the total on hand to \$4.3 billion, or 61 per cent of the total stockpile objective. Materials on order amounted to another 9 per cent, or \$619 million. At the end of June, the stockpile was complete for 35 of the 75 listed materials, and for 9 other materials it was from 90-100 per cent complete. For 14 materials, less than half the planned stockpile had been purchased.

From U.S. Office of Defence Mobilisation, 'Stockpile Report to the Congress' (January 1-June 30, 1954), Washington, D.C., October 1954

The Pretensions of Economics

BY HIS HOLINESS POPE PIUS XII

ALTHOUGH the 'cold war'—and the same is true of the 'cold peace'—keeps the world in a harmful state of division, yet it does not, up to the present, prevent an intense rhythm of life from pulsating therein. It is true that this is a life developing almost exclusively in the economic field. It is, however, undeniable that economics, taking advantage of the pressing progress of modern techniques, has by feverish activity attained surprising results, of such a nature as to foreshadow a profound transformation in the lives of all peoples, even of those hitherto considered as rather backward. Admiration unquestionably cannot be withheld from what it has done and what it proposes to do. Nevertheless, economics, with its apparently unlimited ability to produce goods without number, and with the multiplicity of its relationships, exercises over many of our contemporaries a fascination superior to its potentiality, and extends to fields extraneous to economics.

Error in Both Camps

The error of placing such trust in modern economics is again shared in common by the two camps into which the world is today divided. In one of these it is taught that since man has given proof of such great power as to create the marvellous technico-economic composite of which he boasts today, he will also be able to organise the liberation of human life from all the privations and evils from which it suffers, and

in this way to effect a kind of self-redemption. On the other hand, the conception gains ground in the opposing camp that the solution of the problem of peace must be sought in economics, and particularly in a specific form thereof: that of free exchange. We have already had occasion at other times to expose the baselessness of such teachings.

Free Exchange Fallacy

About a hundred years ago the followers of the free commerce system expected wonderful things from it, attributing to it an almost magical power. One of its most ardent converts did not hesitate to compare the principle of free exchange, in so far as its effects in the moral world are concerned, with the principle of gravity which rules the physical world: and he attributed to it, as its proper effects, the drawing of men closer together, the elimination of antagonisms based on race, faith or language, and the unity of all human beings in unalterable peace.* The course of events has shown how deceitful is the illusion of entrusting peace to free exchange alone.

Blind Faith in Economics

Nor would the result be otherwise in the future if there were to persist that blind faith which confers on economics an imaginary mystical

*The Pope gives his reference to Richard Cobden, *Speeches on Questions of Public Policy*, London: Macmillan, 1870, Vol. I, pp. 362-363.

From an English Translation of Annual Christmas Message of Pope Pius XII

force. At present, moreover, there are lacking those foundations of fact which could in any way warrant the over-rosy hopes that are nourished today, as in the past, by the followers of this teaching. As a matter of fact, while in one of the camps which co-exist in the cold peace the highly-vaunted economic freedom does not in reality yet exist, in the other it is completely rejected as an absurd principle. There is between the two a diametrical opposition in their ways of conceiving the very fundamentals of life; an opposition which cannot be reconciled by purely economic forces. Nay, more: if there are, as there actually are, relations of cause and effect between the moral world and the economic world, they must be so ordered that the primacy is assigned to the former; that is, it is the moral world which must authoritatively permeate the social economy with its spirit. Once this scale of values has been established and its actual exercise has been permitted, economic will, in so far as it is able, consolidate the moral world and confirm the spiritual postulates and the forces of peace.

On the other hand, the economic factor might place serious obstacles in the way of peace, particularly of a 'cold peace', in the sense of an equilibrium between groups, if, employing erroneous systems, it were to weaken one of the groups. This could occur if, among other eventualities, individual peoples of one group were to engage without consideration or regard for others in a ceaseless increase of production and a constant raising of their own living standards. In such a case an upsurge of resentment and rivalry on the part of neighbouring peoples would be inevitable, and, consequently, the weakening of the entire group also.

Only the Spirit . . .

Precisely from this particular consideration, however, one must be convinced that economic relationships between nations will be factors of peace in so far as they obey the norms of the natural law, are inspired by love, have due regard for other peoples, and are sources of assistance. Let it be held for certain that in relationships between men, even merely economic relationships, nothing is produced spontaneously, as does occur in nature, which is subject to necessary laws, but everything depends substantially on the spirit. Only the spirit, the image of God and executor of His designs, can establish order and harmony on earth, and it will succeed in doing so to the extent to which it becomes the faithful interpreter and docile instrument of the only Saviour, Jesus Christ, Who is Himself peace. . . .

An Examination of Conscience

How many, perhaps even priests and lay Catholics, ought to feel remorse for having instead buried in their own hearts this and other spiritual riches, because of their own indolence and insensibility to human misery? In particular, they would become blameworthy if they should tolerate the people being left as though shepherdless while the enemy of God, taking advantage of his powerful organisation, is producing destruction in souls not solidly enough formed in the truth.

Equally responsible would priests and laity be if the people were not to receive and find from Christian charity in practice that active assistance which the divine will prescribes. Nor would those priests and laity fulfil their obligations were they voluntarily to close their eyes and to keep silent about the social injustices

tions in the management of their economic affairs, would cause more grave consequences to the social order, and also the political order. Whoever is not ready to limit justly against the efficacy of the social doctrine of the Church, of which the help of divine grace has given so many and such unquestionable public demonstrations, not least in these recent decades. In case the failure to which we have referred were to occur, it would likewise be those priests and laity who would bear the responsibility for groups of the young, and even shepherds of souls, letting themselves in some cases be won over to radicalism and erroneous progressivism.

Private Prosperity and Common Good

The conduct of Christians, be they of high or humble state or be they more or less prosperous, who might not be resolute in the recognition and observance of their own social obliga-

tion in the management of their economic affairs, would cause more grave consequences to the social order, and also the political order. Whoever is not ready to limit justly against the efficacy of the social doctrine of the Church, of which the help of divine grace has given so many and such unquestionable public demonstrations, not least in these recent decades. In case the failure to which we have referred were to occur, it would likewise be those priests and laity who would bear the responsibility for groups of the young, and even shepherds of souls, letting themselves in some cases be won over to radicalism and erroneous progressivism.

under the protection of these collective organisations, or of a party, where one seeks protection for the sum total of individual interests rather than the promotion of the good of all. Under such a guise the economy becomes easily subject to the power of anonymous forces which dominate it politically.

TRENDS IN THE U.S. ECONOMY 1953-1954

	1953	1954
Gross national product ...	\$364,900m.	\$357,100m.
Disposable personal income ...	\$259,100m.	\$253,600m.
Employment (monthly average) ...	61,894,000	61,238,000
Unemployment (monthly average) ...	1,523,000	3,239,000
Factory work week (average) ...	40.5 hours	39.7 hours
Factory hourly wages (average) ...	\$1.77	\$1.81
New construction ...	\$35,256m.	\$37,170m.
Consumer price index (average for year) ...	114.4	114.9
Commercial bank loans and investments ...	\$145,700m.	\$155,900m.
Corporation profits (after taxes) ...	\$18,300m.	\$17,800m.

From *The United States Bureau of Economic Analysis, Washington, January 1954*

Digest Reviews

A MAGNIFICENT JOURNEY

Magnificent Journey, by Francis Williams. Odhams, 9s. 6d.

Many profound volumes have been written about the rise of the British Trade Union Movement. This is the first and most up-to-date authoritative account to be written for the general public.

The Trade Union movement today is recognised by Governments, whether they be Conservative or Labour, and by all political parties; in the author's own words it is 'a fifth estate of the Realm', a fundamental element of our modern society.

The great struggle and development of the British Trade Union movement can be summarised in five distinct phases.

First, the early beginnings, 150 years ago, when the Trade Unions were treated as a conspiracy, an illegal underground movement, fighting for the elementary principle of legal recognition against the whole weight and authority of the State, and the massive economic power of the new forces thrown up by the Industrial Revolution.

Secondly, the revolutionary phase of the journey. The one big Union idea led by Robert Owen, with its extreme demands, its understandable follies and excesses, the result mainly of legal repression and panic opposition from both industry and the State ending in the collapse of the movement.

The third stage of the journey was the organisation of new National Unions among the skilled workers and the resistance to the determined attempts of the Employers' Associa-

tions to destroy the new power of the Craft Unions.

Fourthly, the phase of consolidation with the organisation of the unskilled masses in 1899, the working out of a common Trade Union policy, the strengthening of the structure of the National Unions by means of National Conferences, and the uniting in the National bodies of the many local Unions. The development of local Trades Councils and regional organisations, leading, step by step, to the formation of the Trade Union Congress, the Industrial Parliament of the toilers.

And fifthly, the present phase of this magnificent journey, the rapid rise of the movement from an organisation of resentment, defence and protection, to a distinct element in the community, occupying a high position of power in the economic and social structure of modern society, with an increasingly influential part in the decisions of both industry and State. Today every pronouncement of this movement is front-page news.

This epic story is well told by Mr Francis Williams. The author confesses that he had an emotional involvement in writing the book, and this is the key to his success; for this story is not about one man, or a few leaders, it is about the historic social struggle, sacrifices and success of the many. This is a work of compelling importance to all who are interested in the industrial and social problems of the British Nation. It is the story of the achievements of nameless millions who set out on a journey which has changed the social landscape not merely of Britain, but of the world.

BOB EDWARDS

STOCKTAKING IN BONN

Germany Reports, with a Preface by Federal Chancellor Dr Konrad Adenauer.

President Theodor Heuss and Dr Konrad Adenauer provide two frontispieces for their serviceable report of a great recovery. The story of Occupied Western Germany and the journey of the Federal Republic towards sovereignty are painstakingly but concisely traced in less than 400 pages which include descriptive diagrams, tables and graphs. Economic policies, structure and achievements are given their proper place. Justifiable pride in what a defeated people have accomplished in a devastated territory is tempered by such observations as: 'With an equal population the Federal Republic even now exports only \$6.54 worth of goods per head of the population against \$14.32 worth exported by Great Britain.' Exports are not everything, but 'West Germany's start in world trade is even now (this book was printed in 1953) scarcely half of what the Reich's was in the immediate pre-war years . . . Concern is expressed at the excess of dollar imports over dollar exports as well as considerable optimism in the suggestion that the dollar gap can be bridged 'on an inter-continental level with a view to restoring free convertibility of currency'.

WHERE EMPIRES MEET

Iran, by Richard N. Frye. George Allen & Unwin, 8s. 6d.

Mr Frye of Harvard has successfully popularised his considerable personal knowledge of Persia. The settlement of the Anglo-Iranian dispute and the resumption of normal

diplomatic relations with the United Kingdom occurred after this book was written. But though these have been welcomed in England, Mr Frye's verdict stands that 'the United States has replaced Britain as the guardian of Western interests in Iran'. The Appendices to the book contain useful facts and statistics.

The Middle East: Problem Area in World Politics, by Halford L. Hoskins. The Macmillan Company, New York, \$4.75.

Mr Frye is realistic about the diminution of British influence in Persia. His fellow countryman, Mr Halford L. Hoskins, foresees that British withdrawal from Suez will in the end deny the Western Powers 'the uninterrupted use of the Canal at all times'. Englishmen blinded by face-saving formulae or improved trade projects to the surrender which took place after this book was penned can learn from American surveys such as these how the power basis of the British economy has been shaken. Mr Hoskins is now Senior Specialist in International Relations at the Library of Congress. His writing is clear and attractive.

Egypt at Mid-Century. An Economic Survey, by Charles Issawi. Oxford University Press, 21s. (in U.K. only).

This is a revised edition of *Egypt: An Economic and Social Analysis* which was completed in 1943 and published in 1947. Economics take even more prominence than in the earlier version and those who want to read in detail of the military revolution and of the agreements with Great Britain on the Sudan and the Suez base should try elsewhere. More might, however, have been said in an account of the Egyptian economy of the Suez Canal Company. Demo-

graphic, agricultural, financial and industrial matters are however admirably dealt with, as are communications, foreign trade, the balance of payments and much-needed social reforms. Difficulties are revealed which will not be solved merely by soldierly energy and the nationalism which has the author's sympathetic understanding. His book is published under the auspices of the Royal Institute of International Affairs. Chatham House has been much criticised: Mr Issawi's thorough and sensitive work may be placed on the credit side of the ledger.

SPORTS AND CONDITIONS OF MEN

An Essay on Racial Tension, by Philip Mason. Royal Institute of International Affairs, 8s. 6d.

A distinguished retired officer of the Indian Civil Service, Mr Philip Mason has, as Philip Woodruff, shown himself a sensitive and humane writer. Chatham House have done very well to appoint him as their Director of Studies in Race Relations, for the subject is both prickly and of first importance, particularly to the Commonwealth. The Cold War becomes less or more intense; the clash of colour continues. Mr Woodruff has opened the gate into a very wide field. The introductory study is balanced and fair. Economic factors are shown to contribute to inter-racial tension, but examples are given of territories where those factors, though they exist, are not really fundamental. Racial questions are beset with prejudice, but a degree of homogeneity is one of the diverse elements which make up communities and nations. 'The debate continues.'

COMPARATIVE COLONIALISM

Britain and the U.S. in the Caribbean. A Comparative Study in Methods of Development, by Mary Proudfoot, M.B.E., B.Litt., M.A. (Oxon). With an Introduction by Margery Perham, C.B.E. Faber & Faber, 42s.

The increased influx of West Indians into the United Kingdom has made the thinking British public heed the economics of the British Caribbean and recent happenings there and elsewhere have made Americans more wary in their approach to 'Colonialism'. No one who reads this superb contribution to the series of Colonial and Comparative Studies edited by Miss Perham will imagine that the United States is not in its own fashion a Colonial Power. All countries holding overseas territories have a common duty and a common interest and will do well to exchange views and to help, not hinder, each other in efforts to raise them up. Here is a textbook which can serve that end. There are nearly fifty pages of statistical tables.

GUNS BY GERMANS

Krupps, The Story of an Industrial Empire, by Gert von Klars. Translated from the German by James Clough. Sidgwick & Jackson, 25s.

This is a very readable account of a great economic dynasty of which the world has not heard the last. Some would say that the author's pen has been dipped in whitewash; others that this is a study by a German patriot of the achievements of a House which, in words he has taken from *Le Monde*, 'manufactured guns ... and will do it again, if ... asked to'.

1788?

France, by P. E. Charvet. Ernest Benn, 21s.

Whatever the political future of M. Mendès-France, economic changes impend and are overdue in the Fourth Republic. M. Charvet, Lecturer in French at Cambridge, here provides in most attractive style a penetrating explanation of the ideas, the institutions and the individualistic people that will need to be moulded and persuaded. This book richly deserves the commendations it has received from Sir Oliver Harvey and Professor D. W. Brogan.

MID-VICTORIANA

Victorian People. Some Reassessments of People, Institutions, Ideas and Events, 1851-1867, by Asa Briggs. Odhams, 18s.

Occasionally dry, these essays display penetrating scholarship. Each is based upon the career of a Victorian worthy or more than one. Amongst them is the Trade Union leader *Robert Applegarth*. Born in 1835, he lived until 1924 and saw the beginning of the revolution which transformed the 'night-watchman' into the 'welfare state'. He was a friend of *Thomas Hughes*, exponent of public schools and Christian Socialism. But despite the visionary Toryism of *Benjamin Disraeli*, Free Trade (*Cobden* and *Bright*) and the Gospel of Work (*Samuel Smiles*) were dominant elements in the 'spirit of the age'. *Robert Lowe* perceived the danger of democracy, whereas 'Disraeli trusted the electorate'. He saw then what not everyone sees even today, that a way must be found which is neither 'Free Trade' nor Collectivism.

J.B.-D.

THIS CHANGING WORLD

Money Trade and Investment, by G. D. H. Cole. Cassell, 25s.

In 1944 Professor Cole produced an important book entitled 'Money: Its Present and Future', in which he dealt with monetary theory and practice. The present volume is based on this earlier book, but the considerable changes which have taken place in the ten years which have elapsed since the original book was published have necessitated considerable re-writing and the addition of much new material, so that it is virtually a new work. The post-war trials and troubles of the sterling area, the Bretton Woods Agreement, the International Monetary Fund, the General Agreement on Tariffs and Trade, and the European Payments Union are all very adequately dealt with in this volume.

In dealing with internal monetary policy, Professor Cole urges that there should be enough money of various kinds always available to ensure the maintenance of 'full employment' which he defines as follows:

'Full employment' means, not that everybody ought to be at work up to the very limits of his capacity, but employment as nearly as possible up to an optimum point beyond which leisure is preferable to more goods and services. This is the amount of employment which, having made the limits and the meaning clear, we can safely postulate as desirable; and it is this amount of employment that there ought always to be enough money available to maintain.

He meets the criticism that some readers will undoubtedly make that he dwells too much on pre-war

deflation and too little on post-war inflation by suggesting that 'nobody knows how soon we may again be facing those enemies of the inter-war period (deflation and unemployment) especially if we remain as tied as we are to the American economic system'.

On this international side of the picture, Professor Cole suggests that the assumptions which were implicit in the monetary and commercial agreements associated with Bretton Woods, Havana and Geneva were fundamentally at fault. He sees the way out of the difficulty in this sphere to be through closer association between the Commonwealth and Western Europe through linking the sterling area more closely with the countries associated with us in E.P.U.

Professor Cole in his introduction says that he is writing 'for laymen—including politicians, whose knowledge of monetary matters is apt to be very sketchy indeed'. He has certainly succeeded in his intention, for he has expressed himself with a clarity all too rare among academic economists, and in doing this he has performed an invaluable service.

A Concise Economic History of Britain, by W. H. B. Court. Cambridge University Press; 21s.

The author, who is Professor of Economic History at the University of Birmingham, has provided a sequel to the late Sir John Clapham's *Concise Economic History of Britain from the Earliest Times to A.D. 1750*. He carries the story forward from 1750 up to 1939. The book is written for the layman, and gives a much needed economic background to our very complicated life today. As Professor Court comments in his Preface, 'The economic side is the part of our national history which is least

The Problem of the National Debt, by Edward Nevyn. University of Wales Press; 6s.

The author of this 115-page book is concerned to focus attention on the National Debt, which he considers has not received the consideration which its size and importance in the national economy entitle it. Having described the growth and composition of the National Debt, he makes proposals for reform.

E. H.

INDONESIAN INDUSTRIALISM

Industrial Development in Indonesia, by Dr A. M. de Neuman. Students' Bookshop Ltd, 4 Trumpington Street, Cambridge, 4s. 6d.

The Industrial Adviser of the National Planning Bureau of the Government of Indonesia has written a readable, sympathetic, and on the whole optimistic account of industrial advance in that country through more than a century of British (the formative influence of the Raffles period should not be forgotten) and Dutch tutelage followed, after the painful Japanese interlude, by national independence, first federal then unitary in form.

Dr Ali Sastroamidjojo's Government, which came in at the end of July, 1953, stands for 'nationalisation'. This means, however, not so much the transfer of ownership from private to public hands as the reduction of foreign, including Chinese, economic influence. Yet lack of skills (including entrepreneurship) and of foreign exchange are the chief 'bottlenecks' and Indonesia is greatly dependent on foreign commerce. 'About one-third of all her international trade is with the British Commonwealth, especially with Singapore.'

ECONOMIC DIGEST

Copies of the following numbers of ECONOMIC DIGEST would be gratefully received by the Editorial Board (at 47 Eaton Place, London, SW1) to enable them to meet urgent requests from a number of Commonwealth and other overseas readers.

Vol. VI: No. 3, March; No. 4, April; No. 6, June; No. 8, August; No. 12, December.
1954, Vol. VII: No. 1, January; No. 2, February; No. 3, March; No. 4, April; No. 5, May; No. 7, July.

READERS' COMMENTARY

—A NEW FEATURE

The Editorial Board will be glad to consider for publication readers' brief comments on material published in ECONOMIC DIGEST.

INFLATION

From Sir Charles Morgan-Webb, C.I.F.E.

In his article reproduced in the January Digest Professor Roy Harrod deals with inflation by what the Keynes Plan describes as contractual pressure: that is, by cutting down the monetary supply to the output of goods. *New Economist* takes the contradictory line designated by Keynes as expansionist pressure; that is, by raising the output of goods and then adjusting the monetary supply to equal the increased output.

I suggest that Professor Harrod is pulling his punches. He wants deflation, but only a mild dose of it. Unfortunately, economic policies once set in motion, are not easily reversed. Once deflation is started it is impossible to ensure that the dose will be mild.

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).

European Economies (cont. from the January Digest):**(1) Bonn-anza**

Economic Conditions in the Federal Republic of Germany. O.E.E.C. Paris, December 1954.

A proud story of continued expansion told by a strong creditor. Compared with the peak year 1938, industrial production per head and productivity had not improved much, but total production had increased substantially with a rising population and the remarkable absorption into the economy of more than 3.5 million additional workers above the pre-war figure. (586)

(2) Swedish Survey

Economic Conditions in Sweden. O.E.E.C. Paris, December 1954.

Reports continued expansion with some changes in the pattern of output. Sweden is described as a promising source of foreign capital for the development of less advanced countries. (587)

(3) On the Eve?

Economic Conditions in France. O.E.E.C. Paris, December 1954.

Insufficient liberalisation and excessive protectionism are blamed for inadequacies in the French economy with which M. Mendès-France hopes to deal. (588)

(4) Nordic Group

Economic Conditions in Denmark, Iceland, Norway. O.E.E.C. Paris, November 1954.

Concludes with cautionary words about the balance of payments and the heavy growth of investment in Norway. (589)

(5) Two Catholic Countries

Economic Conditions in Ireland, Portugal. O.E.E.C. Paris, December 1954.

In the Republic of Ireland long-standing unemployment, low real income and persistent balance of payments deficits (in spite of emigrants' remittances) are still besetting questions. Eire, a member of the Sterling Area, is closely connected with the U.K. economy and might more appropriately have been studied under the same cover as the O.E.E.C. report on the United Kingdom (577). Salazar's Portugal continues a policy of cautious progress. A Six-Year Plan opened in 1953. (590)

Commerce and the Communists

East-West Trade, by V. Spandaryan.

This *Soviet News Booklet* is largely an indictment of the familiar Moscow pattern of U.S. discrimination against the Soviet bloc. (592)

Progressive Swiss

Fiftieth Anniversary Commemoration Lectures: The Industrial Development of Switzerland, by Albert C. Humald, Dr. Occ. Publ., Swiss Institute for International Studies.

This excellent introduction to the society and economy of Switzerland was first presented in the form of four lectures given in March 1954 at the

Société d'Economie Politique, de Statistique et de Législation in Cairo. The National Bank of Egypt is to be congratulated on their reproduction. (593)

Brave Finland

The Finnish Economy Today, by Dr Reino Rossi.

The *Three Banks Review* No. 24 of December 1954 reproduces this useful survey by a Head of Department in the Bank of Finland Institute for Economic Research. (594)

Egyptian Economy

National Bank of Egypt Economic Bulletin, vol. VII, No. 3, 1954.

Published in Cairo in Arabic and English by the Bank's Research Department, this Bulletin provides a serviceable brief account of economic events and development in Egypt and the Sudan during the past year. (595)

U.K. Facts and Figures

Central Statistical Office Annual Abstract of Statistics, No. 91, 1954. H.M.S.O. Its usual indispensable self! (596)

Half Slave, Half Free

Europe: Nine Panel Studies by Experts from Central and Eastern Europe, Free Europe Committee Inc., 1954. See Digest Review in our issue of December, 1954. (597)

Death on the British Roads

A Résumé of Available Information on Road Accidents to Old People, by Grace C. Jeffcoat. This Research Note dated October

1954 is from the Road Research Laboratory of the Department of Scientific and Industrial Research. It is marked 'Not for Publication', but may be consulted here. (598)

Tea

International Tea Committee Supplement to Bulletin of Statistics (June 1954), December 1954.

Gives figures of areas planted, production, exports and imports, re-exports, consumption and stocks in the U.K., U.S.A., and other countries. (599)

Fibres

Natural and Man-Made Fibres: A Review; Bulletin No. 26, Rome, November 1954.

This is part of the Commodity Series published by the Food and Agriculture Organisation of U.N. (600)

Schumania

(1) *European Coal and Steel Community High Authority, Report on the Situation of the Community laid before the Common Assembly (November 1954).*

Reports progress with the achievement of a common market for the six member States and in other spheres but was published before the conclusion of the agreement with the U.K. to set up a Council of Association. (601)

(2) 13-page Summary of above. (602)

(3) *Supplement to the International Trade News Bulletin, vol. IV, No. 10, October 1954.*

Report for G.A.T.T. on measures taken by E.C.S.C. members affecting trade in coal and steel. (603)

U.K. Sugar and Sugar Beet

Controls and Subsidies on Agricultural Products and Requisites—Sugar-Beet and Sugar 1939-53, by H. Frankel.

This Supplement to the *Farm Economist*, published by the Agricultural Economics Research Institute, Oxford, gives in detail the supplies and prices of sugar and sugar-beet since 1939 and the legislation, controls and subsidies connected with them. (604)

Statistics of Suffering

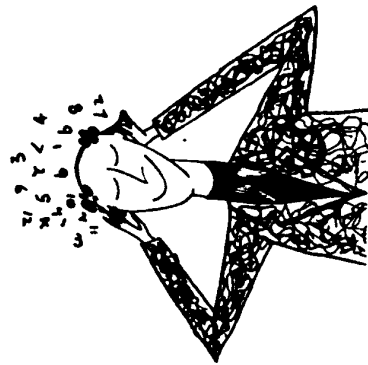
Statistical Pocket-Book on Expellees in the Federal Republic of Germany and West Berlin. Federal Statistical Office, Wiesbaden 1953.

Detailed particulars and figures relating to the 17 million or more Germans stated to have been driven from their homes after World War II. (605)

Sunny Produce

Weekly Prices and Retail Margins—Small, Medium, and Large Stores; Oranges, Lemons, and Grapefruit, Denver, August 1948-July 1949, by Sidney Hoos (Division of Agricultural Sciences, University of California).

This is a Mimeographed Report (No. 170), dated September 1954, from the California Agricultural Experiment Station, Giannini Foundation of Agricultural Economics. (606).



And talking
of relaxing.

... why not do so in the company of

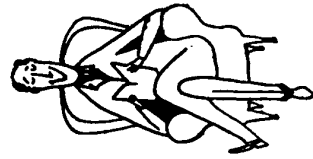
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NAOMI LEWIS
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PAUL DEHN

CHRISTOPHER HOLLIS, M.P.

who in the February issue of *Books of the Month* discuss and criticise new publications on a wide variety of subjects that includes Sergeant-Majors, mountains, photography, religion, actors and the Russia that existed before "the curtain" fell.

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An important publication, February, 1955

**FEEDING THE
FIFTY MILLION**

**The Report of the Research Committee of
the Rural Reconstruction Association on the
Increase of Agricultural Production in the
United Kingdom**

With an introduction by
L. F. EASTERBROOK, O.B.E.

In this book a group of practical men, of independent mind and with considerable farming experience, set out to answer two questions:

1. What steps would have to be taken to secure a substantial increase in home agricultural production of food, and
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