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This Month's
Digest Headlines

1. Is Britain in Danger of Inflation?

Should the Bank Rate be raised as a counter-measure?
or would the resulting decrease in production itself prove
inflationary?
see pp. 5, 8

2. G.A.T.T. Review—What will come out of Geneva?

Only minor amendments?
Freer Trade or more Protection?
see pp. 11, 20

3. Under-Developed Countries.

Has Latin-America been neglected by world aid schemes?
Should there be an E.P.U. for South-East Asia?
What is Britain doing to help?
see pp. 4, 32, 38

4. Soviet Food Supply.

Is there a rural revolution in Russia?
Is Soviet Collective Farming a failure?
Will the battle for grain be won?
Will Khrushchev succeed where Stalin failed?
see p. 15

A Happy New Year
to all our readers from

the Editorial Board of Economic Digest

Economic Talking Points

Has 1954 been the most decisive year since 1945?

Yes—The shadow of World War has receded significantly. The effects of U.S. recession have been minimised. Moscow has been giving more attention to raising Soviet standards of living.

But The ultimate of destructive power has been reached and catastrophe still threatens the world. Western economic stability may have been chiefly due to the vast defence programme. China has emerged as a second great Communist Power still closely linked with Soviet Russia.

Who should control 'Atoms-for-Peace'?

The Eisenhower Plan has been welcomed even in Russia and Britain has offered fissile material to the proposed 'bank'. It is argued that nuclear energy will be too dangerous a force to leave under national control. Its rapid development for civil use demands American leadership.

But The future interests of the Commonwealth, the French Union and Belgium may suffer by the surrender of their raw materials. Britain could lose the fruits of her pioneering efforts.

Would the U.S.-sponsored Aid for Asia Plan mean more or less prosperity for the West?

The U.S. economy has a margin for fresh production and standards of living there will improve if unemployment is avoided.

But In order to avoid the charge of imperialism America would wish other Powers to be associated with her in the Asia scheme.

If Europe took part she would have to cut consumption to the extent that she provided unrequited exports, unless she could rapidly increase production.

How will changes in Defence programmes affect the period of U.K. National Service?

There will be pressure for the period of National Service to be reduced in order to release man-power for civilian production.

The change to new weapons may cause a pause in industrial output resulting in substantial pockets of unemployment.

But The complexity of new weapons may demand an increase in the period of training of the Forces, leaving fewer months for trained service.

Will Commodity Prices rise in the New Year?

Pressure from China and other Communist countries in the Far East could give cause for anxiety, leading to stockpiling of such commodities as rubber, tin and wool by the Soviet bloc.

Some harvests in 1954 were below average, though the North American surpluses continue to be the predominating factor in wheat prices.

Inflationary tendencies still persist.

But World production of many commodities continues to rise as new sources of supply are developed and new plants installed. U.S.A. may increase their rate of unloading some of their huge surpluses.

Which Way is India going?

Communism is strong owing to popular disappointment with Congress, and Chinese expansion is threatening India's borders.

But Western aid is likely to be substantially increased and leading circles in India are reacting strongly to the danger.

ECONOMIC DIGEST

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British Aid to Under-Developed Countries

STERLING MADE AVAILABLE*, 1953-54 and 1954-55
(0.0 signifies less than 0.05; — signifies none)

	1953-54	1954-55 (Estimate)
Colonial Development and Welfare	18.0	18.0
Overseas Food Corporation	1.1	0.3
Colonial Development Corporation	5.5	6.0
Colombo Plan (Technical Co-operation Scheme)	0.4	0.8
London Market Loans (to Colonial Governments and to Governments of Ceylon and the Federation of Rhodesia and Nyasaland)	31.3	37.0
I.B.R.D. sterling releases (to India and Pakistan)	10.0	3.8
Sterling Balances (to India, Pakistan and Ceylon)	42.0	42.0
Special E.C.G.D. credit (Pakistan)	10	—
Foreign Office Grants and Services Vote (including U.N. Agencies): Jordan (Grant in Aid)	8.4	8.5
Jordan (Loan)	0.9	1.6
Libya (Grant in Aid)	3.9	3.7
Security Force in Persian Gulf	0.3	0.3
Yugoslavia (Economic Assistance—Grant in Aid)	1.8	2.5
Relief of Palestine refugees (Grant in Aid to U.N. and Works Agency for Palestine Refugees in the Near East)	1.8	2.0
Reconstruction in Korea (Grant in Aid to U.N. Reconstruction Agency)	4.8	3.0
United Nations Children's Fund (UNICEF)	0.1	0.2
U.K. Contribution to U.N. Technical Assistance	0.6	0.5
Colonial Service Vote	24.1	39.2
Assistance to the Maldives	—	0.0
	165.0	169.4

£ million

* These figures do not include

- (a) U.K. subscriptions to the United Nations and its specialised agencies, which totalled £2.7 million in calendar year 1954;
- (b) The £5 million which the International Bank raised in July 1954 on the London market, some or all of which may become available for under-developed countries;
- (c) Capital transfers between private persons and institutions.

From *Hansard*, November 25, 1954

A Drift Towards Inflation?

BY ROY HARROD

ARE we drifting into a condition of semi-inflation? Even one who is by no means inclined toward austerity and deflation at every turn, but rather the contrary, may feel some anxiety at present. In this business of monetary management timely action is of the essence. It is an old adage that the only effective way of curing depressions is to check the antecedent booms.

In the course of a boom the pattern of activity gets progressively shifted, with a piling up of orders upon producer goods industries. The further the shift goes, the greater the readjustment required afterwards, and, while no one wants to carry the subsequent deflation to the point of causing significant unemployment, the readjustment in the depression will be much more difficult if the previous expansion has been allowed to go too far.

There are further advantages in early action. If the inflationary tendency has not gathered great momentum, the pressure required to correct it may be slight; and if events show it to have been undue, it can be quickly reversed. But if the authorities show any inertia in dealing with a situation tending towards inflation, the lapse of even three or four months can aggravate it considerably.

The circumstances and criteria for action now are quite different

from those of the old gold-standard days. But it is well to remember how frequently the authorities then, although working for somewhat different objectives, altered the Bank Rate.

Price Movements

Signs of incipient inflation cannot now be culled from the movement of general prices. But long ago in the 'twenties the Federal Reserve System recognised that to wait for general price movements before correcting an upward or downward tendency would often mean waiting too long. The state of the labour market is important. A visible indicator is the number of 'unfilled vacancies' which has been rising substantially during the year and stands at a higher level than it has reached since the change in coverage of the figures in March, 1952. This is supplemented by increasing reports of labour shortages. Deliveries of certain classes of steel are becoming protracted.

This can easily have a snow-balling effect, for once the fear of delivery trouble becomes at all widespread, one can easily get that tendency to stock up as an insurance against expected shortages, which was so disastrous in the period before 1951-52. In the old days great attention would have been paid to the comparative weakness of sterling

From *The Financial Times*, November 30, 1954

in foreign exchange markets. While we may accept as correct the obvious diagnosis that this is mainly due to the impression that the D-day for sterling convertibility has been put back somewhat, it would be unwise to assume that the old link between the status of sterling and an inflationary tendency has been completely severed.

Mild Dose

I am not suggesting that more than a mild dose of disinflationist medicine is required at present. For this purpose the monetary mechanism is presumably appropriate. Hopes are now placed on the combined influence of monetary and fiscal policies being sufficient to iron out the trade cycle. The fiscal weapon must be regarded as the more slowly working remedy; the British are used to their annual Budgets, and we cannot reckon on an immediate response to tax adjustments.

I do not argue that we must necessarily acquiesce in this; it is not inconceivable that investment allowances could be turned into a short-period stabiliser by making orders placed within certain months ineligible for the allowance or eligible for only a proportion of it; this could prove a stabiliser of terrific potency.

Accountants, tax authorities and others concerned with the details of such adjustments would raise their hands in horror at such a 'fancy' proposal. We should not be too much deterred by such expostulations; we live in a scientific age; awkward arrangements demanded by scientists in a factory are often regarded as 'musts' and similar awkwardnesses may in due course have to be imposed on those con-

cerned with accounts by the science of economics.

But for the moment these are pipe-dreams, and we must revert to the Bank Rate mechanisms. A small rise of Bank Rates, reversing expectation earlier in the year of a further downward movement, would have a psychological impact; it would be noted as signifying that the authorities endorse what many people are already 'feeling in their bones' about the inflationary element in the present situation.

But the symbol is enough by itself. The traditional method of open-market operations is available, by which the cash supply of the banks can be reduced. This in turn can be reinforced by suitable advances. The instructions given to banks during the 1951-52 episode had their effect; various orders on capital account were suspended.

Marginal Cuts

Some may hold that, while it is comparatively easy to get a strong instruction carried into practice over a wide area on the occasion of an admitted national crisis, it is more difficult to introduce fine shades into such instructions. We do not now need a drastic curtailment of orders, but only a moderate amount of postponement by those in doubt, in fact by the 'marginal' orderers. We need the banks to be a little more severe for a short period in granting accommodation, until existing pressures ease off. The difficulty of introducing fine shades into such instructions is not a good reason for not trying to do so. Full employment policy, executed by monetary and fiscal pressures, is still in its infancy and on its first trial. The bankers up and down the country, who alone can make such a

policy effective, have to be trained in their new task. It is essential that the policy should be flexible and quickly reversible. This is an apt moment for experimenting with the mechanism; the economy is at present in a condition of fairly robust health and no great harm can be done. The harm may come later if nothing is done now.

If the authorities find it desirable to move in the opposite direction next spring, that would not justify *ex post facto* criticism of a certain stiffening now. We may recall the experience of the Federal Reserve System in 1953; in the preceding winter the arms programme of the United States seemed still to be engendering inflationary pressure, and brakes were applied by the Federal Reserve System; by the late spring of 1953 the engines were reversed, and a large-scale enlargement of the cash basis, including a reduction of legal reserve requirements, was undertaken by the system. This did not imply a contradiction, but a quick response to a changing situation.

Effect on Investment

It will be said, in objection to the proposal now, that it would make no difference to the policy or action of the great majority of producers. That is quite correct. We only need to affect a minority. All we need is to give an additional reason

for delay to those who are in doubt.

In some quarters there is undue anxiety lest such a policy might reduce investment by British industry. Since 1945 'investment' has become something of a fetish; it is quite wrong to give an unqualified blessing to investment as such, which may often be wasteful and often postponable without detriment. All depends on the kind and quality of the investment.

It is of vital importance to make British industry more ready to undertake cost-reducing investment, to experiment promptly with new ideas, to push forward rapidly in all spheres where technological improvement is possible. We need much more thought about measures of long-term influence to encourage progress of that kind. But the greater part of investment is not of that kind. Furthermore a disinflationary policy can be useful in discouraging additions to stock—which by creating shortages can have a vicious spiral effect.

Long-term considerations about investment should not be allowed to interfere with restraints and encouragements designed to keep the economy on an even keel and avoid inflationary or deflationary tendencies. The success of such a policy will in its turn help long-term planning.

France and Sweden 1st and 2nd in Iron Ore

ACCORDING to the O.E.E.C. statistics, France holds the lead as producer of iron ore in Europe, followed by Sweden. During the second quarter of 1954 the French production was 3,512,000 tons per month and the Swedish 1,258,000 tons. The average metal content of the Swedish ore, however, was 60 per cent, against only 33 for the French.

Is Inflation Inevitable?

A different view on this important subject from that expressed by Mr Roy Harrod has been specially contributed to ECONOMIC DIGEST by 'New Economist'

Most people now recognise that the evils of inflation are almost as disturbing as those of deflation. There is the constant demand for wage increases, resulting from the continued increase in prices. There is the growing realisation that each wage increase is, in the long run, nullified by subsequent increases in the price of goods and services, and widespread frustration and discontent among all sections of the community are the inevitable result.

Inflation also results in all long-term contracts such as pensions, annuities, mortgages, rents, etc., being falsified. Savings deteriorate in value, a pound saved in 1946 buys in comparison only 13s. 7d. worth of goods in 1954, only eight years later.

Our reputation in the sphere of international trade also suffers. If costs and prices continually rise in Britain, foreign holders of sterling are confronted with the certainty that the longer they hold them, the less their holdings will purchase. Perhaps the main reason why sterling continues to be so widely used as an international currency is due to the fact that other currencies have inflated to an even greater degree. The menace of inflation is worldwide.

Causes of Inflation

This adds up to a strong indictment of inflation, and it is therefore most necessary that we should endeavour to appreciate what causes inflation,

for only by tracing the cause can we hope to supply the remedy. There are, I suggest, two main reasons for inflation. First, it can be due to an increase in the quantity of money in circulation without a compensating increase in production. Second, it can be due to a decrease in the quantity of goods and services, or the two factors working in combination.

Goods and Money

In Britain the output of consumer goods and services has greatly increased in the years since 1945, and so has the volume of money. The total quantity of money in circulation (consisting of coins, bank notes and current account bank deposits) amounted in 1945 to £3,904 million. By the end of 1947 it was £5,951 million, by 1951 it had reached £5,324 million, and in September 1954 it had reached £5,741 million. Most of this increase is accounted for by the increase in bank deposits, i.e. money created by the banks in making loans or advances to their customers (including the Government) or by purchasing securities. The remainder is due to the increase in the fiduciary issue.

The question we have to ask ourselves is whether this increased supply of money in circulation has been kept in step with the increase in the supply of goods and services. Had it done so, I suggest, then the purchasing power of the pound would have remained stable. The

fact that there has been a steady decline in the value of the pound is an indication that considerable inflation has taken place in the years since 1945, through the increase in the volume of money not being directly related to the supply of goods and services.

Dis-inflation not the remedy

Having diagnosed the trouble, we come to the cure. The accepted treatment for inflation is dis-inflation, through the use of the bank rate mechanism, which method has many influential supporters, or through fiscal measures to increase the budget surplus, or a combination of both. I suggest that it is the constant threat of these measures which causes much of our present trouble. For if inflation causes serious difficulty in the economic life of the nation, deflation is economic suicide. Too many producers remember the deflation of the 20's and 30's, and at present there is always the fear that if they increase production too rapidly, then there may suddenly be a deflationary trend which could ruin them.

As a well-known food producer said to me the other day when discussing the effect of the weather on his crops: It is not flood, storm or tempest we fear, we can always rescue something to sell at reasonable prices. It is when we have a really wonderful season, with bumper crops—that is when we need to worry! So long as that perfectly understandable approach to increased production exists (and it not only affects food producers), then we shall not achieve full production. We may appear to have full employment, but this will conceal, as it does now, very considerable under-

employment of our resources both of man-power and machine-power.

Increased Production

Yet full production of our resources is precisely what is needed if we are to combat inflation and improve living standards. The cure for inflation is not a dose of dis-inflation, but a rapid increase in the production of goods and services. The situation as it exists in Britain today is, I suggest, that there is considerable latent ability to increase production, given the will on the part of the producer. In these circumstances, the right answer to an inflationary trend is to encourage production in every way.

The orthodox approach to this problem—the use of the bank rate mechanism—has little to commend it in these circumstances. For it directly discourages production by making money dearer and more difficult to obtain, especially for the smaller man. This happens just at the moment when an increase of production is so vitally necessary. Moreover, it is completely indiscriminate in its effects. Producers have also to take increases in interest rates into their costs.

It is the threat of the havoc which too strong a dose of dis-inflation can have on producers that is one of the greatest brakes on an all-out effort to produce more. Once persuaded producers, employers and workers alike, that increased production means an increased standard of living for all, and not ruin, and they will re-act accordingly.

More Realistic Approach

Surely it is time that a more realistic and scientific approach was

production exist also in Britain and the Commonwealth, once we grasp the fundamental fact that with a properly functioning money system, increased production automatically means increased consumption instead of piling up unsaleable surpluses, as at present.

One plant making 90,000 electric light bulbs an hour, all day, every day of the week.

Mr Reuther went on to say: 'Immediate action was needed if purchasing power was to keep step with the vast increases in productivity'. These possibilities for increased

by the Economic Secretary to the Treasury when answering a supplementary question in the House. He said 'the whole point of avoiding inflation is to ensure that the rise in personal incomes keeps pace with the rise in productivity'.

Purchasing Power and Productivity

If this policy were whole-heartedly adopted in Britain, it would revolutionise our economy. No one can doubt that productivity could be vastly increased, once people recognised the true fact that their standard of living directly depended on their efforts to produce. At present, both employers and workers approach the idea of an all-out effort with very great caution. They know only too well that, under our present methods, if plenty is created, disaster may result. They therefore hold back, restrictive practices continue, there is failure to adopt new techniques, and productivity suffers. Once convinced them that there is no need to fear increased production—that in fact the increase will automatically result in an increase of purchasing power to enable people to buy the resultant wealth, and Mr Butler's estimate of doubling our standard of living in the next twenty-five years could easily be surpassed.

Mr Walter Reuther, one of America's foremost Trade Union leaders, in his recent presidential report to the Congress of Industrial Organizations referred to:

An assembly line in a Ford factory producing as many engine blocks with 41 men as once required 117;

A new steel plant in which 6,500 workers produce the output of 11,000 in older mills;

made to this problem. Inflation with the accompanying continual rise in the cost of living is neither beneficial nor is it inevitable. Equally in our efforts to check inflation we must not fall into the opposite and even worse danger of deflation. What we need is stability in our internal general price level, and this could be achieved by the control of money issues so that instead of prices being controlled by the amount of money available, the quantity of money is controlled in accordance with the amount of goods and services.

The Government has direct control over the fiduciary issue. The Treasury also have powers under the Bank of England Act, 1946, to regulate the creation of money by the banks, so that the means of implementing this policy is within the power of the Government under existing legislation. This does not mean interference with day-to-day banking policy, but a general over-all control over the creation of money which should be administered by a strong impartial body charged with the major task of ensuring the maintenance of stability in the general price level.

A Goods Standard

It is of primary importance that our monetary system should be placed on a Goods Standard, under which the supply of money is equated with the supply of goods and services, and so regulated that the progressive increase in the supply of goods and services which the nation is capable of sustaining shall not be interrupted but shall be available for consumption by the people of the country.

This view was confirmed recently

Discrimination and Free Trade

BY W. A. WELLS

Director, Empire Industries Association

MUCH preaching has brought many people to the belief that the ban on tariff preferences in Article I of G.A.T.T. and the discounting of quotas will bring about free trade and no discrimination. Anyone who dares to suggest that discrimination is a quality well applied in commerce or that the elimination of all tariff regulation of trade is unwise is often held up to ridicule and represented as an enemy of society.

In a recent article in *Lloyds Bank Review* Mr Michael L. Hoffman of the *New York Times* saw fit to castigate the advocates of 'greater Imperial Preference' and posed this question—'What happens if the United States should begin to meet discrimination with discrimination?' Such a question, which sounds very much like an economic threat, is an appeal either to fear or to prejudice and is, moreover, open to criticism on two counts. First there is no general demand for 'greater Imperial Preference'. The claim put forward is that discrimination in trade is

very desirable if applied wisely and within reason. It is not contended that 'Imperial' Preference is the only discrimination which should be exercised. On the contrary, it is suggested that the system, applied as between groups of countries which for one reason or another find their trade complementary, would be more conducive to an expansion of trade than a general system of *laissez faire*.

Oddly enough, the stoutest opponent of a preference system of this sort is the United States of America who, however, are quite prepared for groups of countries to form themselves into a close Customs Union having free trade within their group and the power to impose duties upon countries outside it. There is something illogical here.

Commonsense

The present contention is, however, not that there should necessarily be greater Imperial Preference but that the right to operate a

From Empire Industries Association and British Empire League

preference system, a right signed away by Great Britain and Commonwealth countries when G.A.T.T. was drawn up, should be reassumed. One sound reason for this is that the preferences now in existence cannot all be suitable to the present day. They should be overhauled, increased, decreased or remain untouched after due deliberation and individual examination. Preferences should be placed on the same footing as tariffs. By negotiation certain of them could be bound for a term of years, but only after proper consideration of the conditions existing at the time the binding takes place, not bound for ever at their 1932 levels. This is not a demand for greater Imperial Preference but an appeal to common-sense.

U.S.A. Fiscal Methods

The second point at issue in Mr Hoffman's challenge lies in the inherent economic threat of retaliatory action which he seems to assume would be taken by the U.S.A. But does the history of the United States indicate that their fiscal policy is determined on these lines? Their methods in the past have been to take fiscal action as and when it seemed desirable in American interests, not to allow their tariff policy to be dictated piecemeal by foreign action. The McKinley Tariff of 1890, the Wilson Tariff of 1894 and the Dingley Tariff of 1897 are illustrations of American tariff adjustments. In later years the Hawley-Smoot Tariff was not in any sense a retaliatory measure. The British fiscal reforms of 1932 were not followed by retaliatory action on the part of the U.S.A. No doubt minor cases might be cited which would

lend colour to Mr Hoffman's suggestion, but broadly speaking that is not the American way.

It is more than possible that had the anti-preference conditions which were attached to the Washington Loan been refused, the loan would have been made available just the same.

It is still more probable that, had the United Kingdom Government of the time refused to sign G.A.T.T. unless these conditions were removed, a very much less controversial agreement could have been reached. Even now a display of firmness by the United Kingdom Government might well attract very much more support than has been acquired by appeals and protests.

A Leaky Bucket

The attempt by G.A.T.T. to stop discrimination by a ban on tariff preference and quota is rather like pouring water into a bucket full of holes, of which only two have been plugged. There are plenty of loopholes, the stopping of which is beyond the powers of G.A.T.T. or any other organisation. One is the bilateral agreement for the exchange of goods which has become so popular of recent years. As an example we might cite the trade arrangements concluded between the Federal Republic of Germany and the Netherlands only last September. The talks held between these two countries have resulted in agreement on an increase in mutual trade of about 50 million guilders. Western Germany will export more cars, machines and plastic products, while the Netherlands export quotas for bulbs, cut flowers, paper, cardboard, aniline dyes, and other less important products will be increased. Such

agreements as these are common practice and are just plain discrimination.

The Commonwealth Sugar Agreement is another case in point nearer home. It was found necessary to come to some such agreement because of the terms of G.A.T.T. It is a satisfactory agreement and others of a similar nature may well be reached, but it is discrimination and is intended as such.

The United States' President has just accepted a recommendation of the Tariff Commission that during the twelve months beginning 1st October, 1954, the total quantity of oats entered or drawn from warehouses shall not exceed 40 million bushels of which not more than 39,312,000 bushels shall be imported from Canada. A minor matter, same problem.

perhaps, but discrimination nevertheless.

Hundreds of trade agreements must be in force having the same sort of effect but it is hardly likely that G.A.T.T. will set out about having them all annulled and their use permanently forbidden.

These agreements and others of a similar type are merely an illustration that it is not impossible to evade regulations which cut across the requirements of the commercial world. The United States of America once adopted a policy of Prohibition but found that it was impossible to squeeze human nature into a strait-jacket and was compelled to give up the attempt. We are inclined to the opinion that G.A.T.T. will eventually find itself up against the same problem.

NEW ZEALAND TRADE SURPLUS

In the year ended on March 31, 1954, New Zealand had a record surplus in trade with Britain of £62 million, and with Western Europe of nearly £25 million. There was also a surplus with Canada and the United States of over £4 million, but there was a deficit of £284 million with the other countries in the Sterling Area. Most of this deficit was attributable to an unfavourable balance of trade with Australia.

FOREIGN INVESTMENT IN INDIA

ACCORDING to the Indian Finance Minister, Sir Chintaman Deshmukh, investment of foreign capital in India had declined by some Rs. 350m (£26.25m.) Since August 1947, when Independence was granted, only twenty-two new foreign firms (twenty British, one American and one Swiss) had been incorporated in the Indian Union.

* * *

World Bank Chairman on Convertibility

Address by M. W. HOLTRUP, Chairman of the Board of Governors of the International Monetary Fund, at the Ninth Annual Meeting of the Board of Governors

THOUGH so many countries seem to be standing on the edge of convertibility, one cannot deny that there is an atmosphere of hesitancy and frustration around them. They are standing there, like the girl in the nursery rhyme:

Mother, may I go to swim?

Yes, my darling daughter!

Hang your clothes on the hickory limb

But don't go near the water!

What is it that has brought them that far? What is it that holds them back? Are they only out for a flirtation with convertibility, or do they really have sound reasons to fear a bad cold? I think this problem deserves some more of our most earnest attention that the simile I have just made might tend to evoke.

It is my personal opinion that the graveness of this issue can hardly be exaggerated. Just as our national economies can thrive only on the basis of a sound and honest unit of

account, so our international economy needs a sound and honest system of international payments, to serve as a foundation for that balanced growth of international trade which has so much to contribute to the attainment of higher levels of real income for all member countries. The Bretton Woods Agreement holds out to the world the promise of such a sound and honest system of international payments. The articles of Agreement of the Fund have laid down its general outline, but the details have not yet been filled in, and they could not be filled in without the knowledge of the actual conditions under which the system would have to work. These conditions are now gradually taking shape. The time has, therefore, come for the Fund to clarify and further specify the rules under which it expects to be able to induce members to accept and recognize the Fund as the active centre of such a payments system.

From International Financial News Survey

Means of Colonial Development

THE Colonial Secretary, Mr. Alan Lennox-Boyd, told the House of Commons on December 3rd, that of £500 million now engaged on Colonial Development, about half was coming from local sources, about one-third from external loans and about one-sixth from the Colonial Development and Welfare Fund provided by the United Kingdom taxpayer.

Soviet Food Supply

BY EDWARD CRANKSHAW

THE food situation in the Soviet Union is better than it has been since the war, better perhaps than at any time since the collectivisation. But it is a precarious situation. Past agricultural crises (and there have been many) have been crises of physical survival. The present crisis is on a higher level. It is a question of whether or not the improved standard of living can be maintained. At present it is being maintained by imports of meat and butter. In a country as vast and rich as Russia, where half the population still works on the land, the importation of elementary foodstuffs is absurd. It cannot go on. The Soviet Government realises this. As a result, Soviet agriculture is going through perhaps the biggest convulsion since the collectivisation itself, twenty-five years ago. It may peter out—as so many great schemes have petered out—the groundnuts fiasco in East Africa is the sort of thing that has happened time and time again in the Soviet Union—or it may succeed and develop into an agricultural revolution.

Virgin Soil Upturned

All we know is that at the moment a spectacular operation is transforming the face of vast areas of steppe in Siberia and Kazakhstan. It is called the virgin land campaign, and it involves the ploughing up and sowing down to grain of virgin

and derelict land on a really colossal scale. The target of 70,000,000 acres by 1956 has now been raised to between 120,000,000 and 150,000,000 acres. When the campaign opened in the early spring of this year the target for the year was 32,000,000 acres. This is an area greater than all the cultivated land in Great Britain. It was to be ploughed up in a year as an extra to the normal cultivated area of the Soviet Union, using machinery taken from existing collectives. The latest reports say that the original target has been surpassed, and that some 43,000,000 acres have been ploughed up this year.

Soldierly Sowing

The sowing position is not so clear. But a tremendous amount has been done. The campaign is being conducted like a military operation. There is no other way of carrying it out. It has involved already the transfer of 150,000 skilled tractor drivers and technicians from European Russia to the thinly populated spaces of western Siberia and Soviet central Asia. With them have gone the machines, some direct from the factories, many more picked up from established tractor stations. At first this strange army was expected to live in tents, in shacks, in caravans, above all in the too familiar emergency dug-outs, in which half the population of European Russia seemed to be living for some time

From The Listener, November 11, 1954

after the war—pits dug in the ground and roofed over with branches and turves. But behind the advance guard came a host of followers to build 'pre-fabs', club-houses, shops; to set up mobile cinemas and libraries; to lay the foundations of brand new settlements, complete rural towns dumped down in the empty steppe. It is here that there have been mud-dles and failures; the Soviet press has made it clear that a great many people are going to suffer severe hardships during the coming winter. It has been full of angry and reproachful letters from settlers.

More Grain?

A year ago nobody in the Soviet Union seemed to be thinking in terms of more grain. Malenkov in his first major speech as Prime Minister had said there was enough, although the situation with regard to meat and vegetables and dairy products was far from being satisfactory. His remarks about grain production were surprising because they seemed to be out of step with the latest plan. After three years in which grain production had remained more or less static, the five-year plan which started in 1952 made provision for a spectacular increase. Nothing that had happened since the beginning of 1952 and the summer of 1953, when Malenkov expressed his satisfaction, had given any indication that this increase was on the way to being realised. Indeed, without some sort of a revolution in agriculture there was no way in which it conceivably could be realised—and in practice, until then, in spite of the paper demands of the plan, all the emphasis had been placed on expanding livestock production, with a consequent demand for an in-

creased acreage of hay and roots at the expense of grain.

Khrushchev Confesses

This emphasis on livestock expansion made sense. For years students of Soviet affairs with a special interest in agriculture had known that the livestock situation in the Soviet Union had been little short of catastrophic, and that it remained so in spite of a special three-year plan for stock-breeding which had been started under Stalin. Year after year this was denied by the Kremlin, which either published no absolute figures at all, or else came out with an impressive display of figures which gave, to say the least, a misleading impression. And that misleading impression was maintained until Khrushchev, in his milestone speech in September 1953, announced, in effect, that everything people had been saying about the unsatisfactory state of Soviet agriculture for years past was in fact true. He announced, among other things, that instead of increasing under the special livestock plan, the number of livestock had been dwindling. He said that at the beginning of 1953 there were 3,500,000 cows fewer than in 1941 on the eve of the war—and, much more important, nearly 9,000,000 fewer than there had been in 1928, on the eve of the collectivisation. In those figures lay the whole tragedy of Soviet agriculture.

For what the Soviet Government is still trying to do is to make collectivisation work. The original idea behind collectivisation was to rationalise Soviet agriculture: to transform an agrarian economy based on peasant holdings, for the most part primitively farmed, into an up-to-date food-producing base for

the break-neck industrial revolution provided for by the five-year plans.

Khrushchev in his speech started off with praise for collectivisation. Soviet agriculture is the most advanced in the world, he declared, and has indisputably proved its decisive advantage over small-scale peasant farming as well as over large-scale capitalist agricultural production. He then went on for page after page to show where the collectivisation had failed.

Peasants and Collectives

For while Stalin had managed to scotch the kulaks and ensure a minimum flow of food into the towns, he had at the same time so antagonised the peasants as a whole that for decades to come there was never to be more than a minimum flow into the towns. The collectivisation itself was a tremendous blow. Resisting it, and in the process of being starved out of their resistance by the Government, which forcibly requisitioned what stores of food they had, the peasants slaughtered their animals and refused to reap their crops.

In 1913 there were 60,000,000 head of cattle in Tsarist Russia. After the chaos of war, revolution, civil war, and famine, this number had, by 1928, been increased to 70,000,000 by peasants working for themselves. Then came the collectivisation. The next figures we have are for 1932, when the number had dropped to 41,000,000 head. In the same period pigs had declined from 26,000,000 to 12,000,000; sheep and goats from 147,000,000 to 52,000,000; horses from 33,000,000 to 20,000,000—at a time when the new tractors were only just beginning to come in. This was clearly a disaster of calamitous proportions;

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and one from which the Soviet Union had not recovered by 1941, on the eve of war.

The grain yield offered a less catastrophic figure. Arable farming recovered more quickly, and by 1935, according to the available figures, grain production had surpassed the 1928 level. But even grain has not expanded in proportion to the increased population to be fed. And the official figures are not reliable. They are not reliable because during the upheaval of the collectivisation the statisticians, on orders from above, changed their method of accounting. Instead of measuring the grain harvested and in the barns they started measuring the estimated yield in the field. Some experts have declared that this makes a difference of twenty per cent, but the Russians never admitted anything—until Mr Malenkov, to everybody's surprise, referred to this practice in his speech of August 1953, denounced it, and said it must stop. Since then all hard figures have stopped.

The War

The general picture, then, on the eve of the war, was of a rural economy based on collectivisation, which nobody liked, slowly beginning to work, but still lagging behind the country's needs. The lag was due to apathy and the resistance of the peasants to two aspects of the Kremlin's policy: first, the collectivisation itself; secondly, and perhaps every bit as important, the emphasis on heavy industry at the cost of light industry, on capital expansion and armaments at the cost of consumer production—which meant that even if the peasants did work hard to make money there was nothing for them to buy. But

there were signs of improvement.

Then came the war, and with it disaster. Millions of acres of arable land were devastated; livestock was reduced most bitterly. Over the whole of western Russia farms had been burnt down and tractors and implements of all kinds destroyed. On top of all this, the collective system had largely broken down—not only in those areas trampled over by the Germans, but in every corner of the Union.

The immediate reaction of Stalin's Government was to enforce order, to restore the collective system, strip the peasants of the money they had been accumulating by selling produce grown on their own plots at fantastic prices, and generally return to 1941. The history of Soviet agriculture from 1946 to 1953 was a story of mounting oppression, complicated by the most disastrous drought of the century in 1946, and the fact that, by his decision to drive the Russian people still further in a vast heavy industrial reconstruction and expansion programme, there could be no material inducements to make the peasants produce more.

Post-War

First Andreyev, a very senior member of the old Politburo, one of the elders, took over agriculture, and failed. Then came Khrushchev, who is in charge now. Disciplinary action on the collectives; the devaluation, which hit the peasant hoarders hard, and was intended to; new agricultural taxes designed to make it less profitable for the peasants to work on their own plots than on the collectives; new legislation aimed at the private possession of livestock—all these were tried, and failed. Stalin managed to increase grain

production; but vegetables, including even potatoes, lagged badly; and the meat and dairy situation was disastrous. It was disastrous because if the Soviet Union was to continue moving forward as an industrialised power, the workers had to be fed on something better than the traditional diet of bread and cabbage soup. Stalin was finding that although the Russian peasant can subsist on the dreariest of food, the factory workers had to be better fed. But Stalin was not prepared to divert anything at all from his dreams of capital expansion to induce the peasants to feed them.

He was able to carry through one scheme, introduced by Khrushchev in 1950—the amalgamation of small collectives into much larger units—ostensibly for the better employment of machinery; really to break up the village economy which had survived the collectivisation, to make it harder for the resisters, and to make it easier for the M.T.S., the spearhead of the collectivisation, to stand apart from the *kolkhozniks* and supervise the collection of grain for the State. He succeeded in this; but he failed when he tried to carry the idea a stage further—still through Khrushchev—and break up the old economy completely by building new rural settlements, or *agroporoda*, where peasants from a dozen villages would be re-settled round a municipal centre.

After Stalin

Meanwhile the situation grew more grave. In spite of the great livestock breeding plan, the number of cattle fell, according to Khrushchev by 2,200,000 in 1952. Stalin died in March 1953. In August Malenkov came forward with promises to the peasants. In September Khrushchev

made his speech, acknowledging the shortcomings, but without admitting that government policy was to be blamed; standing firmly by the collectivisation, but offering the peasants for the first time real inducements to put their backs into their work—mitigation of taxes, waiving of State claims on deliveries in arrears, and a whole series of important concessions relating to the private holdings of the *kolkhozniks*. 'We are all right for grain', he said in effect. 'But we have to make the most strenuous efforts to increase in the shortest possible time the production of meat, dairy produce, and vegetables.' He told the peasants how to do this in a series of elaborate directives containing the most elementary instruction, such as the use of hot-beds for bringing on seedlings, and the desirability of shelter and fodder for cattle in winter. It seemed not to have occurred to him that the peasants knew all about feeding cows, and that if they failed to feed them there must be something wrong somewhere.

Then suddenly in February of this year, there was a complete switch round. 'The Soviet Union is desperately short of grain' was the cry. 'We have to produce another 20,000,000 tons a year by 1956. We are going to do it by ploughing up the virgin lands'—and then the programme, which, if it is fulfilled, must mean the transfer of some 2,000,000 men, women, and children to western Siberia and Kazakhstan within the next two years. First the volunteers—above all from the Komsomol—volunteers from existing collectives, volunteer mechanics from the factories, volunteer agronomists from the Ministries; then the draftees, of whom less is heard; then the women and children.

More Grain for More Livestock

The main object seems still to be to raise more livestock; and much of the grain is needed to feed the livestock. Originally, at the beginning of the livestock drive, it seems to have been thought that the increased head of cattle and sheep could be supported by turning down vast areas of the Ukraine and elsewhere to temporary leys. This, apparently, was one of Lyсенko's ideas. Grass grown as a crop in rotation is good practice in many parts of the world. But no account was taken of the climatic conditions of vast parts of Russia, dry in summer and frozen in winter; and the temporary grass did not do. All this emerged in the course of various attacks on Lyсенko, which have lately been permitted. There is a new man, now, Maltsev, an agricultural specialist who has discovered a new system of tillage which is going to turn the hungry, arid lands into a granary. The system has been described in detail, and it is precisely the system, known in Canada as prairie farming, which the west has been using for dry, hungry lands for a long time—disc ploughing and harrowing, instead of turning the soil over with the conventional plough.

But it seems to me there is another aspect of the virgin land campaign beyond the immediate aim of getting more grain to feed more livestock and to put into store (and much emphasis is being put on storing grain in immense quantities against any emergency). And this is that perhaps Khrushchev has not given up his idea of turning agriculture into an industry, in which the peasants, as in the existing State farms, shall be employees of the State.

British Trade Union Topics

(I) G.A.T.T. AND THE T.U.C.

THE T.U.C. have told the President of the Board of Trade that G.A.T.T. has done a good job within the field that it covers. In the T.U.C. view its continuance is of primary importance to this country and the agreement should be placed on a permanent basis.

The T.U.C., however, wants to see some improvements. For instance, where one country persistently imports less than it exports, other countries should be able to put their payments in balance and maintain the highest possible level of trade by cutting imports from the country concerned without cutting imports from one another. The present provision for this in G.A.T.T. is rendered ineffective by being related to the scarce currency provisions of the I.M.F.: a currency may be scarce in the world long before it is scarce in the Fund. Consequently, the T.U.C. has pressed for a stronger clause to cover cases of this sort.

Listing the Safeguards

Apart from this, the T.U.C. General Council consider that the limits on the use of quotas should continue, for quotas form a barrier to exports that cannot be overcome by increased efficiency.

To prevent abuse of the use of quotas for balance of payments reasons, the General Council also consider that any country wishing to impose quotas should have to obtain the approval of the governing body of G.A.T.T. Approval should

not, however, be withheld on the ground that internal deflation or (in the case of under-developed countries) the postponement of economic development would remove the need for restriction.

Most of the other independent Commonwealth countries do not favour any attempt to seek freedom to create new Imperial Preferences. More Imperial Preferences might provoke other countries to retaliate by discriminating against Commonwealth countries and we would probably lose more than we gained. Consequently, the General Council think it inadvisable for Britain to press for release from the 'no-new-preference' rule. Aid to the colonies can be given more effectively by long-term contracts.

Countries Have Suffered

Meanwhile, the under-developed countries have been hard hit by sudden sharp fluctuations in the selling price of primary products, such as rubber. International agreements to stabilise the prices of these commodities are urgently necessary and the General Council take the view that G.A.T.T. should be given the task of promoting such agreements.

Then the General Council want G.A.T.T. to play a bigger part in fighting unemployment and low wages. Under the agreement, countries are entitled to protect themselves against the spread of a slump from abroad. However, it is better to prevent the slump and G.A.T.T.

Extract from an article entitled 'Japan Knocks on the World's Market Door', from 'Labour', November 1954

countries should be put under a positive obligation to maintain full employment at home and to cooperate in international action for full employment in the world.

Fair Labour Safeguard

At the same time, Britain should press for new and strong clauses in the agreement to make fair labour standards apply in all G.A.T.T. countries.

Finally, there is the question of admitting Japan into G.A.T.T. Japan in G.A.T.T. would get the benefits of tariff concessions already negotiated between member countries. But the advantages would not be one-sided.

Japan would submit to the code of commercial conduct laid down in G.A.T.T. She would herself have to negotiate tariff concessions with other member countries.

However, if Japan is to be admitted it is vital that certain vul-

nerable British industries shall not be overwhelmed by a flood of low-priced imports before they have time to adjust themselves to this competition.

On the one hand, this calls for a more firmly-worded agreement to prevent unfair trading practices—such as dumping, export subsidies, false marks of origin and copying designs.

On the other hand it calls for protection—perhaps by restricting the quantity of imports—against low-priced competition arising from low labour standards.

Special Agreements

The best course, in the T.U.C. view, would be an amendment to G.A.T.T. permitting Britain—and any other country—to make its own agreement with Japan under which only part of the full G.A.T.T. agreement would operate for the time being.

(2) BRITISH POST-WAR SPENDING

WITH the end of rationing and shortages, the post-war pattern of spending is now beginning to take shape. So far it does not appear very different from the pre-war pattern. The following table shows how total personal expenditure was allocated in 1938, 1948, and 1953. It is not necessarily an indication of the change in the amounts bought, because some prices rose less than

Percentages of Total Consumer Expenditure on Goods and Services

	1938	1948	1953
Food	29.8	27.0	32.2
Tobacco and Drink	10.5	18.7	15.5
Household Goods	6.5	7.2	7.1
Clothing and Footwear	10.1	10.2	9.3
Rent, Rates, Fuel	15.6	11.5	11.4
Other goods, and services	27.5	26.4	24.5
TOTAL	100.0	100.0	100.0

Based on material supplied by H.M. Treasury

Consumption Per Head

To get at the changes in average consumption, as distinct from the changes in total expenditure, it is necessary to allow for price and population changes. On this basis there were increases between 1938 and 1948 in consumption of beer, tobacco, housing, fuel, books, newspapers, travel and entertainment. Beer has now fallen back to about the pre-war level. Tobacco, housing, fuel, travel and books have continued to rise, but expenditure on entertainment has fallen from its peak.

Food—

Total food consumption per head showed little change between 1938 and 1948, but there was a considerable difference in types of food eaten. There were large falls in consumption of meat, fats and sugar as a result of shortages but at the same time there were large increases in average consumption of bread, potatoes and milk. Since 1948 (apart from setbacks in 1951 and 1952) the diet has been gradually widened as shortages have disappeared. Consumption of bread, potatoes, and milk has been falling gradually in the last three years, but each is still very much higher than pre-war. Average consumption of fats and sugar in 1953 was nearly back to pre-war. As meat has become more plentiful, fish consumption has declined. Total energy value per head recovered to the pre-war level in 1949, but fell below it again in 1951 and 1952. In 1953, it was again at the pre-war level, but slightly below 1949-50.

There were also marked falls in some goods and services between 1938 and 1948; some such as house-

hold goods, wines and spirits and private motoring have been gradually made good; others like clothing and domestic service have persisted and may now be part of the new pattern of expenditure.

—and Drink

Purchases of household goods per head rose by about 25 per cent between 1948 and 1953, nearly restoring the pre-war level. Consumption of wines and spirits rose by about 10 per cent but is still below the pre-war level. (Whisky consumption is still only about half pre-war; but gin consumption has about doubled, partly because of the fall in supplies of whisky on the home market. Wine consumption is about two-thirds of pre-war.)

The volume of private motoring, after severe reductions, has risen rapidly each year since 1948 and (according to the new car registrations) must now be nearing the pre-war level. Lower expenditure on domestic service during the war as a result of labour shortage has continued because of post-war full employment and the decline in real incomes of the middle and higher groups. Average clothing consumption, reduced during the war, has remained below the pre-war level.

Conclusion

During the past fifteen years the pattern of consumption has been distorted by rationing and shortages, but by 1953 it was restored to something like its pre-war pattern. More food and tobacco were consumed in that year than before the war, and on the whole people were using more fuel, particularly electricity, and were enjoying more outside entertainment; on the other hand, they were drinking less, they were buying

less clothing, and managing with much less domestic help. This pattern continued in the first quarter of 1954, there being slight increases in most types of goods and services compared with a year earlier.

(3) AGE AND WORK

Nearly half the men at work in Britain are forty years old or more; so are two women workers in every five.

This fresh evidence of Britain's ageing labour force is given by the Ministry of Labour which last year took a survey of the number of workers in each age group. It found that between 1950 and 1953 the proportion of men at work aged forty and over rose from 47.5 to 49.8 per cent and women from 36.5 to 39.8 per cent.

As an industrial group, building and contracting had the youngest men; three in five were under forty. The group with the oldest workers was public administration where three men in five were in the over-forties. Industries with the highest proportion of men under twenty years old were woodworking, agriculture, forestry and fishing, precision instruments and building and contracting. The Ministry survey covered 20,880,000 workers of whom 13,720,000 were men.

(4) EARNINGS AND HOURS

The Ministry of Labour has just published its six-monthly data about earnings and hours in industry, and the main points are as under:

AVERAGE WEEKLY EARNINGS

Date	Men (21 years and over)		All Workers	
	s.	d.	s.	d.
1938 Oct.	69	0	53	3
1947 April	123	5	103	6
1954 April	197	8	166	6

As regards the first of these factors, it is estimated that in the industries covered by these enquiries the average level of rates of wages for a full ordinary week's work, exclusive of overtime, was about 128 per cent higher in April, 1954 than in October, 1938. The difference between this figure and the average increase of 213 per cent, shown by the returns of actual weekly earnings represents the net effect of the other factors referred to above.

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AVERAGE WEEKLY HOURS WORKED

Date	Men	All
1938 October	47.7	46.5
1947 April	46.3	45.0
1954 April	48.3	46.5

The increase in average earnings since October, 1938, shown in the Table represent the combined effect of a number of factors, including (a) increases in rates of wages; (b) increases or decreases in the number of hours worked and in the proportion of hours paid for at overtime, week-end, and night-shift, etc., rates; (c) extensions of systems of payments by results in some industries, and increased output by the workers

U.K. CONSUMER PRICES 1945-1953

	1	2	3	4
	Consumer Price Index 1948=100	Purchasing power of the value of the £ derived from col. 1* 1948=20s.	Interim Index of Retail Prices 1948=100	Corresponding value of the £ derived from col. 3* 1948=20s.
1945	85	s. d.		s. d.
1946	87	—	—	—
1947	93	—	—	—
1948	100	20 0	100	20 0
1949	103	19 6	103	19 5
1950	106	18 10	106	18 11
1951	115	17 4	116	17 4
1952	122	16 4	126	15 10
1953	125	16 1	130	15 4
October, 1954	128 (provisional)	15 7	134	15 0

*Figures in cols. 2 and 4 have been calculated from the series given in cols. 1 and 3 before rounding.

£ Sterling (Purchasing Power)

1953		s. d.
November	...	18 4
December	...	18 5
1954		
January	...	18 4
February	...	18 5
March	...	18 3
April	...	18 2
May	...	18 3
June	...	18 1
July	...	17 10
August	...	17 11
September	...	18 0
October	...	17 11

Three Systems of Industrial Management

BY H. E. DR D. U. STIKKER, C.B.E.
(Netherlands Ambassador to the Court of St. James')

MANAGEMENT, at the present time, are possible because the answer to every dispute is a slave camp. Such a system cannot be accepted by anyone who believes in human dignity and freedom.

No Complacency

The third system is the one we have now mostly in Europe, a system of negotiation, and where this does not produce the right result there is an alternative of a panel solution by arbitration. But if this is the right system at the present moment I do not believe that there is any reason for complacency, because whilst this system may be acceptable to management and to the trade union leaders it is quite another story whether it can be accepted also by the rank and file. There is some real reason for grave concern about the unrest in the trade unions themselves quite apart from outside and subversive influences. It may well be that in this time of over-employment labour realises its power and objects to the present distribution of profits but it is making a mistake if it considers that all that is necessary to get a standard increase is to cut the cake in a different way. This will only be possible by baking a bigger cake.

Task for European Management

Therefore European management, to my mind, should not be content with a negative task, the negative task of preventing strikes, it should

The first system is rather a crude one of unrelenting warfare between two parties and that system is defended at the present moment by the U.S.A. where a group of sociologists and trade union leaders maintain that the bitter struggle between the parties in itself produces a high standard of living and high efficiency and they claim that on the other hand the European system of social responsibility creates conditions of stagnation, low wages and low productivity. They believe that a fierce struggle will create efficiency, effective man-hour saving devices and highly paid labour. It seems to me that if this system has any value at all, and we should never forget the damage done by strikes, then such a system can only exist in a country with an expanding economy, with a highly mobile labour force and in a country with great natural resources.

The second system is the system behind the Iron Curtain, a system of complete state control over labour and management, where no disputes

look for a positive task how to increase productivity, and there every individual manager has a part to play because industrial unrest is not always due to frustrated wage claims, although that may well be the reason for the origin. It may be that the social gap in the industry is too great, sometimes people like a little praise for the work they are doing. To my mind, therefore,

European management should not only be on the alert for discontent, but far more it should be on the look-out to create an atmosphere where a man derives satisfaction from, and at the same time gets a little praise for, doing a good job. This idea of social responsibility is not new—I think it is as old as the Christian religion—but to put it into effect is another story.

The Quarrel of the Canals

BY LORD BIRDWOOD

I do not know if a new generation is taught to memorise that mild test of 'general knowledge', the contents of the Seven Wonders of the World'. Parents used to delight in reminding us of the sequence: the Taj Mahal, the Pyramids, the Leaning Tower of Pisa, and others according to their preference. For myself I would always include a phenomenon which has received little publicity: the canal irrigation system of the Punjab constructed by British engineers in the 1860s and '70s, a network of waterways farming out from the five rivers as they leave their Himalayan youth behind and wander sedately across the great Punjab plain.

It is seldom appreciated that the main arteries rival the Suez Canal in length and breadth: it would have been only logical if their future had received one fraction of the thought and negotiation which has been lavished on the late of our Commonwealth artery on

Egyptian soil. Instead an irrigation system, perhaps the greatest of all time, was jeopardised for the satisfaction of national obsessions.

Failure of Statesmanship

Rivers and the exploitation of their flow are often the means by which men display their poverty of statesmanship. The Danube, the Nile and the Jordan have all provided the conditions for communities in competition to defeat development, where a little mutual co-operation could have solved all their problems. But the case of the Punjab rivers is more complicated in that not one river, but six are involved. Furthermore the ownership of Kashmir is related to the control of rivers and the canals which they feed. The effect of the partition of the Punjab Province in August 1947 was to separate headworks from the canals they controlled and hydro-electric power stations from consumers of electricity. The present controversy is

the legacy of such folly and I shall hope to set it out objectively and indicate the grave danger of continuing disagreement between India and Pakistan in this particular aspect of their difficult relationship.

Punjab Rivers (West to East)

- | | | | |
|-----------|---|---------------------------|---------------------------------------|
| 1. Indus | — | Rises in Kashmir (Tibet) | Flows into Pakistan. |
| 2. Jhelum | — | " " | " " |
| 3. Chenab | — | " " | " " |
| 4. Ravi | — | " " | " " |
| | | Flows 100 miles along the | Kashmir Indian frontier, |
| | | then 150 miles along the | Indian Pakistan frontier, |
| | | finally enters Pakistan. | |
| 5. Beas | — | " " | Joins the Sutlej on Indian territory. |
| 6. Sutlej | — | " " | (Tibet) Flows into Pakistan. |

We should first have clearly in our minds the main rivers involved and the agency which in each case controls their flow. The simplest way of setting out the situation is in the form of a list under certain headings.

It will be seen that three rivers, the Ravi, Beas and Sutlej have their source in India. Yet they eventually join their parent Indus in Pakistan and thus lend themselves particularly to controversy. Of the rivers which flow into Pakistan from Kashmir, the Jhelum and the Chenab could receive sufficient interference through Indian action in Kashmir-held territory to damage Pakistan's supplies of water. But such a move would only result in the accumulation of water in Kashmir to no purpose without profit to India, and may therefore be discounted. The respective canal headworks are at Mangla and Merala, the former being in 'Azad' Kashmir under Pakistan influence, the latter in Pakistan territory. If therefore India was ever to control

the question of Indian control of the Jhelum does not arise. The third river, of Pakistan, the Indus itself, flows through Pakistan-held territory in Kashmir and enters Pakistan direct. It is thus free of controversy, and in fact could through long-term imaginative planning provide the complete answer to Pakistan's dilemma.

We return to the quarrel around the three eastern rivers. The headworks of the Ravi are at Madhopur within Indian territory. Just below Madhopur the Upper Bari Doab canal takes off into India. But in former days the canal also irrigated much of the country round Lahore which is now the capital of West Pakistan's Punjab. Coming to the Sutlej we note that the headworks for the Dipalpur Canal which irrigates the South Punjab country on the Pakistan side of the border, are at Ferozepur on Indian territory.

British Monument

A glance at a topographical map of

nothern India will show that north of Delhi and across a great area which includes the districts of Hissar, Amballa and Karnal the land forms a slightly raised plateau which has always refused to take irrigation. It was to get water on to this potential grain-bearing territory that years ago British engineers prepared a plan to exploit the water from the upper reaches of the Sutlej. The plan involved the partial immersion of a small tribal State in an artificial lake and not unnaturally was resisted by the State ruler in spite of the lavish compensation offered. A new Indian dispensation has been able to overcome former scruples, and the fulfilment of British schemes which never got beyond the blueprint stage was realised when a few weeks ago Mr Nehru pressed a button at Nangal in the Himalayan foothills to lift the sluice-gates and release the Sutlej waters into a great new canal. The Bhakra dam holding back the waters which will eventually be available from the Sutlej for six million acres of northern India's thirsty soil is the second highest in the world. With irrigation it combines the generation of electrical power ultimately estimated at a capacity of 900,000 kilowatts.

Apart from the political controversy questioning the wisdom of the completion of the Bhakra-Nangal project, it is a worthy monument to former British enterprise and the imagination of the present Indian Government. The controversy arises when it is realised that the drawing off of very large quantities of water from the upper reaches of the Sutlej raises grave problems of water shortage for Pakistan. In particular, the State of Bahawalpur has always been dependent upon the Sutlej water.

International Intervention

At this stage it will be convenient if we recall the story since 1947. We shall see that as charge and counter-charge developed, they were accompanied by some ability also to compromise.

In the spring of 1948 when Pakistani peasants were busy sowing their autumn crop, India suddenly diverted water from the river Ravi for a period of just over a month. It was a foolish move for it naturally created panic in Pakistan out of proportion to the material harm done. But it resulted in a temporary agreement which was signed on May 4th, 1948, the terms of which were registered by India as a formal treaty before the United Nations on May 10th, 1950. It was however soon realised that an agreement which in effect applied only to one river was quite inadequate, and wisely both countries agreed to seek international advice.

Fortunately in August 1951 Mr David Lillenthal, the former head of the Tennessee Valley Authority, had just concluded an extensive tour of India and Pakistan. In an article in the American magazine *Colliers* he set out his conclusions about the disposal of the waters of the Indus river basin. He pointed out that an immense amount of water was available for all requirements of both countries provided the necessary financial assistance from outside could be procured to assist in the construction of the very large installations needed for full development. This aroused the interest of Mr Eugene Black, President of the International Bank for Reconstruction and Development, and accordingly in March 1952 a working party of advisers and engineers of both countries under the leadership

of the International Bank set to work on a survey. In May 1952 a further temporary agreement was signed under which both sides undertook to take no action which might diminish the supplies available to the other so long as they were working under international auspices.

Principles of a Plan

For two years the working party wrestled to produce a solution, holding meetings in Karachi, Delhi and Washington. Finally on February 5th, 1954 the principles of a plan were published which appeared to present a long-term solution with enough water for everybody. The western rivers, Indus, Jhelum and Chenab, would be exclusively available for Pakistan with the exception of a small volume for Kashmir. The three eastern rivers were to be exclusively available for India after a transition period of five years. This period represented the estimated time required for Pakistan to build link-canals flowing south off her three eastern rivers. The cost of the construction of these additional links was to be borne by India to the extent of the benefit she would derive therefrom. In the meanwhile India was not to divert water to feed her Nangal canal which would disturb existing allocations.

The opening of the Nangal head-works by Mr Nehru in July was therefore regarded by Pakistan as a flagrant violation of an international agreement. Official comment in Karachi was guarded. But the Press knew no such restraint, *Dawn* describing it as 'an act of naked aggression'. The charge appeared to turn on the point as to whether the publication of the World Bank recommendations in fact concluded the negotiations. Supplies were not to be diminished

'while co-operative work continues with the participation of the Bank'. Had this co-operative work ceased and was the Bank no longer participating? The two countries at this moment give entirely contradictory answers.

Pakistan's Position

At a Press Conference on July 15th Mr Mohammed Ali gave his version. Rather bitterly he recalled that when the mutual frontier was settled according to the recommendations of Sir Cyril Radcliffe's Boundary Commission in 1947, the commission had assumed that the sharing of the waters of existing canals would be respected irrespective of whatever Government might assume jurisdiction over the headworks concerned. It was Pakistan's claim that she had not yet had time to study fully the economic implications of the scheme and she did not regard negotiations as closed. As an interim measure only Pakistan had been ready to operate certain local works which she had constructed solely for the purpose of meeting natural shortages in the Sutlej valley. Thereby India was able to use her main Bhakra-Nangal canal this year. But this gesture was the limit of Pakistan concession. India had chosen to misrepresent Pakistan's co-operation as a rejection of the Bank's proposals, presumably to make political capital in international society. In fact Pakistan expected to resume negotiations on August 10th.

Pakistan's Triple Project

Only the two Governments concerned have seen the full details of the International Bank's proposals. But it seems fairly certain that Pakistan's hesitancy has been due to a realisation that in order to make

good the water she is to lose from the Sutlej and at the same time feed various new projects which the Sutlej waters would normally have supplied, the work to be undertaken on her three western rivers is far more extensive and expensive than she had anticipated. As an example of the elaborate plans which have already been prepared to secure water for Lahore in the event of the River Ravi running dry, there is a triple project by which water would be brought south from the Upper Chenab canal and siphoned under the Tavi to feed the Lahore District. Water from the Upper Jhelum canal would then be brought down to the Chenab in compensation.

The particular works undertaken by Pakistan are a link canal from Merala to the Ravi and the Belokhi-Suleimanki link which joins the Ravi and the Sutlej. These deal with water compensation in the lowest areas. But Pakistan may claim that she cannot fill her canals dependent on the upper reaches of the Sutlej from the Indus, Jhelum and Chenab unless costly high-level storage dams are built. As to the Indus itself, the thought of taking control of its waters before it enters the Attock Gorge and above the junction with the Kabul River, opens up staggering possibilities of exploitation involving many years of toil and planning.

Bhakra Dam

It would seem that if India is prepared to increase the financial help to which she is committed under the agreement and if the International Bank is in a mood of extravagant generosity all may be well. Even so there must be a period of stress and strain in the coming years. Much depends upon when

the new land to be irrigated in India will be ready for cultivation. More and more water will be diverted from the Sutlej as land in India is ready to receive it. Finally, in 1959 when the great Bhakra dam is completed it appears that, India will take every drop of water available and there will be no flow whatsoever into Pakistan except for small supplies from the Beas tributary.

Politics v. Economics

We can now see the pattern of the quarrel. Pakistan may continue to accuse India of starving her of water and violating an international agreement. India will retaliate that Pakistan has wasted the interim years and deliberately refrained from developing her own resources in order to appear as the victim of an alleged Indian slick practice. For months irrigation officials on both sides have produced conflicting statistics concerning the amount of water delivered by India and received by Pakistan. Every idiosyncrasy in volume of water is exploited, sometimes, alas, not in the legitimate interest of ensuring self-preservation but as a weapon of political opportunism.

Neither country is free of blame in this unpleasant story. But it is as well to face the truth now in the hope that a realisation of the danger to millions of acres of Pakistan's countryside may stir Pakistan to regard work on harnessing the Indus as a first priority and India to look on her exploitation of the Sutlej as a matter for caution. If in the meanwhile India would permit the reasonable appointment of Pakistani observers at the Indian head-works, a correct atmosphere would be created for the gradual settlement of this most intractable of international entanglements.

European Prospects

THE latest quarterly Bulletin* by the Secretariat of the United Nations Economic Commission for Europe (E.C.E.) reports that the upturn in Western European industrial production, which began in some countries in the latter half of 1953, is becoming more general in 1954. This applies both to the number of countries and branches of activity affected. According to the Bulletin, exports have shown a roughly similar upward movement.

The increase in output has in almost all Western European countries been accompanied with a decline in unemployment. With some notable exceptions, e.g. Greece, Yugoslavia and Turkey, grain harvests in 1954 were in general satisfactory although not quite so good as that of the previous year.

Good, but Inadequate Progress

The E.C.E. Secretariat stresses that 'satisfaction over progress during the last year should not, however, obscure the fact that it follows a period when the progress was far from being as rapid as could reasonably be expected'. Although Western European industrial production in the first half of 1954 was 13 per cent above the level obtained three years earlier, the increase is not more than 10 per cent, if Western Germany is left out of the comparison.

The authors of the Bulletin comment on the paradox that production in Western Europe 'began to revive at about the time when the United States moved into recession'. They insist that it would be misleading to

describe the favourable economic developments in Western Europe thus far this year as 'boom' conditions; 'it is clear enough that the upturn has not been carried by any strong speculative forces'.

The Bulletin adds: 'The most striking—and reassuring—feature of this period is precisely that the marked increase in activity has taken place, so far, under conditions of internal and external financial stability. In this respect, the current experience is in sharp contrast to the time after the outbreak of war in Korea, the last period when industrial production was increasing rapidly.'

If it is true that the recent upturn was not influenced to any appreciable extent by speculative forces, 'this would seem in itself to give some ground for confidence that the favourable conditions will continue during the next few months'. The Bulletin observes that both the mood in business circles and statistics (on the intake and stock of orders, on investment plans and on licences for the construction of dwellings and factories) bear out this expectation.

The U.S.S.R. and Eastern Europe

The U.N. E.C.E. *Economic Bulletin for Europe* reports that available data suggest 'significant increase' in average standards of living in Eastern Europe and the U.S.S.R. during the first half of 1954 compared with the first half of 1953 when they had been lower (except in the Soviet Union) than those reached several years ago. Examples are given of increased sales in most of these countries and

*Economic Bulletin for Europe.

to improvements in the quality of certain goods, although the latter, according to Eastern press comments, is still regarded as unsatisfactory. The increase in sales of manufactures has been far greater in the countryside than in the towns.

The improvements in standards of consumption realised in the first year of the new economic policies in the People's Democracies have been below those hoped for when these policies were drawn up, the E.C.E. Bulletin reports. It adds that this has been mainly because 'factors of production have proved to be unpredictably immobile'. Discussing production in various specified com-

modities, the Bulletin points out that the cases of under-fulfilment of plan reported out-number those of over-fulfilment in Czechoslovakia, Hungary, Bulgaria and Rumania, and that only in Eastern Germany and the Soviet Union have commodity plans on the whole been fulfilled.

In general, costs of production have exceeded the planned level in Czechoslovakia, Hungary and Rumania, as well as in the Soviet Union, partly because of continuing difficulties in eliminating rush work and overtime at the end of each plan period, and partly because of a gradual seeping-up of wages'.

Development in Latin America

In a preliminary report of the secretariat of the U.N. Economic Commission for Latin America, prepared for the Fourth Extraordinary Meeting of the Inter-American Economic and Social Council of the Organization of American States in Rio de Janeiro in November 1954, it is stated that average *per capita* income in Latin America rose by 3.3 per cent annually during the period 1945-52, compared with a rate of 1.9 per cent recorded in the historical growth of the United States. If a similar rate could be steadily maintained, the Latin American countries could double their standard of living in twenty-one years. The period of spontaneous growth, predominantly caused by

improving terms of trade, which had a favourable effect upon income, both directly and indirectly, by stimulating investment, is, however, at an end. The outlook has been changing for the worse, and the slight effect which may still persist is being absorbed by the obstinate tendency of consumption to absorb any available margin of production.

Role of the State

Economic development in Latin America depends to a great extent on the actions of the private entrepreneur. State intervention in Latin America has not usually been the consequence of any ideological position, but rather the result of a succession of special circumstances, such

From International Finance News Survey, November 12, 1954

as the great depression, the Second World War, and inflation. The opinion that the adverse consequences of such intervention often outweigh its possible advantages is now becoming widespread in Latin America. This does not mean, however, that economic development will result from the spontaneous action of economic forces alone. Private enterprise must be combined with a firm State policy, calculated to encourage development, creating conditions to guide and stimulate the activities of the entrepreneur without regulating his individual decisions. For this purpose the State has recourse to monetary and fiscal policy, tariff policy, and its own basic investments.

Investment Target

Latin America now needs a vigorous developmental policy in which the fundamental role belongs to its countries' own efforts. To maintain the rate of growth of 3.3 per cent in average *per capita* income, it would be necessary for Latin America as a whole to make gross annual investments equivalent to 20 per cent of its income. In 1953 the savings coefficient was only 14 per cent, barely sufficient for an annual *per capita* growth of 0.9 per cent. To attain an investment coefficient of 20 per cent, and assuming the continuation of the present relatively low domestic savings coefficient, a foreign capital contribution amounting to 6 per cent of total income would be required. In 1953 this would have amounted to some \$2,800 million. U.S. annual investment in Latin America during the last four years has in fact been about \$500 million, and while no accurate record of European investment is available, it is believed to have been

something over \$100 million annually, mainly in short- and medium-term loans connected with trade operations. The report tentatively suggests as a target to be attained over a three-year transition period, 1955-57, a total volume of U.S. capital investment amounting annually to at least some \$1,000 million, of which it may be assumed that private investment will provide between \$300 million and \$350 million.

Checking Inflation

Belief in the virtues of inflation as a means for accelerating the rate of growth has been greatly weakened in Latin America. However, inflation is described in the report as Latin America's most acute problem. It must be attacked by domestic measures, taken with firmness and conviction, but if such action is to be taken, the contribution of international resources is indispensable. The best way of attacking inflation caused by private investment financed by bank credit is to cover the inflationary excess of credit with foreign capital, and at the same time to carry out energetic anti-inflationary measures. If inflation is due to investment in the public sector, higher taxation is generally the most convenient remedy, in so far as the reduction of such investment is inadvisable. But this takes time, and often involves difficult administrative and political problems, the solution of which would be facilitated by the temporary aid of international resources.

Inter-American Fund?

The Preparatory Group of six Latin American experts appointed to formulate recommendations on the basis of the secretariat's study has proposed the creation of an Inter-

American Fund to support private enterprise in Latin America. A capital of \$250 million is proposed, half to be contributed by the United States and half by the Latin American countries. Only 20 per cent of the subscribed capital would be paid immediately, and other resources would be obtained by a special annual contribution of \$50 million

from the United States, and by the sale of the Fund's own securities or of securities which it had guaranteed. It is proposed that the new Fund would operate mainly through banks, finance corporations, and development institutions in the member countries, which in addition to acting as agents would also extend their own guarantees.

German Industry and Rearmament

THE problems confronting West Germany's industry when, as it is expected, the green light is given for German rearmament in the coming spring, have been thoroughly thrashed out by all government agencies and industries concerned. The Ministries of Economy and Finance, Defence Commissioner Theodor Blank, industrial leaders and federations, newspapers and radio, all have abundantly commented on the industrial aspect of the rearmament problem since the signing of the Paris treaties.

On balance, they all agree that German industry is in a position to cope effectively with the armaments tasks lying ahead. It is felt that they can be tackled without running the risks of inflation or of lowering the standard of living, two points to which the German people, after the loss of two world wars, are extremely sensitive. Responsible authorities are also confident that

rearmament will be possible without any departure from the present free enterprise policy. A reverting to 'armament priorities' at the expense of the civilian population, and the meddling of the military in the affairs of German industry, so common in the days of the Nazi regime, would be anything but a popular measure in West Germany, where Goering's 'guns rather than butter' slogan has not been forgotten.

Dr Erhard's Confidence

Ludwig Erhard, the Federal Minister for Economic Affairs, whose department, next to the Defence Commissioner's office, is the agency most concerned with these issues, pointed out that the German economy which, a few years after Germany's total collapse in 1945, had been able to build up a freely competitive system supplying fifty million people with everything they need, would find no unsurmountable

From The Bulletin, Bonn, November 18, 1954

difficulty in equipping a military establishment of some 500,000 men. Touching on the financial side of the problem, Erhard said, the additional costs entailed by German rearmament—some 4,000 to 5,000 million DM annually more than present occupation costs—were counter-balanced by Germany's gross national product which, at present, amounted to 145,000 million DM and could be confidently expected to increase in the course of the next year by 8 to 9 per cent.

Another View

The Federal Minister of Finance, Dr Schaffer, and the Bank Deutscher Länder, West Germany's central bank, with their eyes glued on the budget, are disposed to be rather more cautious. While the latter remarked in its latest monthly report that in the coming fiscal year rearmament would not only mean 'noticeable strain on the budget but on the entire economy', Schaffer protested against annual defence expenditures markedly exceeding 9,000 million DM, the sum provided for in the current budget estimate. In his words, the 'financing of the new German army must be achieved between the boggy of inflation, on the one hand, and the requirements of a life worth defending, on the other'.

'No Profiteers'

Professor Erhard made it clear that this time there will be no 'rearmament profiteers', reminiscent of Nazi days; orders would be placed strictly according to the competitive rules of free enterprise, and care would be taken that small undertakings and craftsmen would get their share of the orders. Erhard's view that German rearmament won't

prove a bonanza for big business is shared by the majority of Germany's industrial leaders. After World War II, armaments plants in Germany were hit harder than any other branch of industry by unemployment, dismantling and prohibitions as well as arrests and convictions of their owners. Hence German industrialists are apt to be sceptical about the arms business in view of the investments and risks some of the bigger orders would make necessary. Reluctance in view of such hazards is all the more marked since business is brisk in most sectors of the German economy. Several industries are amply supplied with orders for many months to come. Exports are going well. Thus, investigations made in the Ruhr district by the German press disclosed that hardly any of the firms questioned were willing to make more than 5 to 10 per cent of their production capacity available for armaments orders.

Effect on Building

The building industry is the one most immediately affected by the rearmament programme since barracks, replacement offices, etc., will be needed before even the first batch of some 90,000 long-serving officers, non-coms. and men can be drafted. Since the construction of some 300 to 400 barracks will take several years, the building trade and other branches of industry are reckoning with possible labour shortages, particularly when the maximum level of 500,000 men, envisaged for the West German Armed Forces, will be drafted for service at the same time. It is hoped that some of the jobs vacated by those drafted for army service can be filled by women workers. During the past years, the number of women gainfully em-

played in West Germany has increased by about 250,000 a year.

Boots No Problem

The supply of uniform, boots, underwear, etc., calls for no new investments since the existing capacity suffices. Defence Commissioner Theodor Blank is quoted as having said: 'Boots for the Armed Forces are no problem; we'll simply buy them in the shops.' West Germany's well-stocked shoe stores seem to justify Blank's confidence in this respect. As far as the manufacture of arms of almost all descriptions and types is concerned, Germany will depend, at least during the initial stage of rearmament, entirely on supplies from abroad. The U.S.A. plan to furnish the necessary tanks, aircraft, guns, etc., on a lend-lease basis. Even if German industry is given the go-ahead signal in the coming spring, some four to five years will elapse, by

military rule of thumb, between the drafting of, say, a medium tank and its delivery to the troops.

In this connection, it is interesting to note that the German press is demanding the best possible equipment for the armed contingents. The *Frankfurter Allgemeine Zeitung* points out that the U.S.A., as well as England and France, are in the market offering arms to Germany. Contending that, for instance, some of the Western tank models have only half the cruising radius of Soviet tanks of equivalent size and combat strength, the paper writes: 'Right from the start, we should make it clear that we regard the proposed arms purchases as a business transaction, and that we have no use for "drugs on the market". By the standards of competitive marketing, we occupy the strongest position since we, as the customers, are facing a wealth of bids.'

The Power Controversy in the United States

THE Federal Government in the last twenty years has posed as a strong advocate of power development. Yet the efforts of private enterprise to undertake such development have been beset with governmental difficulties. It took five years for the Federal Power Commission and the Virginia Electric and Power Company to obtain

a Supreme Court decision overriding the objections of the Interior Department to the private construction of a hydro-electric project at Roanoke Rapids, North Carolina. For three years the Departments of the Interior and Agriculture combined to oppose the plan of the Idaho Power Company to construct three hydro-electric power dams on the Snake River.

From *The Guaranty Survey*, November 1954

In these and other cases the opposition has been based on the desire of governmental agencies to do the job themselves. It was not power that was desired, but 'public' power. The political shibboleth has been that natural resources belonging to the people must not be 'given away' to private interests.

Niagara

A controversy has raged over the generation of power from the Niagara River under governmental or private auspices. In the 1950 treaty with Canada, Congress reserved the authority to approve any project for the development of the United States' share of the power. The House of Representatives has voted in favour of the application of five private power companies in New York State. The principal opposition comes from the adherents of a plan to allow the New York State Power Authority, a governmental body, to undertake the development of power from the river.

The arguments offered in favour of the Authority's plan are the usual ones: that the governmental operation would reduce the cost of energy to the consumer, and that a natural resource belonging to the people should be developed by the people.

The argument that governmental operation would reduce the cost of power is frequently supported by the contention that a governmental agency saves the cost of the taxes which would have to be paid by the private producer. This is spurious, for the State must have its revenue, and what is not collected in one form must be collected in another. If all the people as taxpayers are required to subsidise 'cheap' power for some, where is the saving? Is it not obvious that the material

gain which accrues to the people from a power development is determined by the cost of producing the power, not by the price at which it is sold by a subsidised state monopoly? And when we turn to the matter of construction and operating costs, does not experience with bureaucratic organisation suggest that private managerial undertakings are likely to be more efficient?

American Principle

The assertion that a natural resource belonging to the people should be developed by the people raises a more fundamental question. Since the people as a whole can never actively develop a resource, the assertion actually amounts to saying that a natural resource belonging to the people should be developed by their government. This may be sounding to some, but its implications are socialistic and hence at odds with traditional American practice. Ours is a private-enterprise economy. The American people have decided that some things—such as postal service and primary education—must be carried on by government, but at the same time we have recognised that the general welfare is best served by minimising government's role.

'Public power' is sometimes defended on the ground that it can be developed in conjunction with irrigation, flood control and other improvements not suitable for private enterprise. Whatever its merits may be, this argument has no application to the Niagara project, which is a matter of power and nothing else. Even where other types of improvement are involved, experience shows that these tend to become an entering wedge for governmental participation in business operations.

S.-E. Asia Payments Union?

In the consideration of the wider issue of fostering economic co-ordination, and possibly at a subsequent stage also economic integration, between the countries of the E.C.A.F.E.* region, the problem of establishing a payments union for this area has cropped up as a vital part of that scheme of co-ordination and integration. The idea has obviously been inspired by the experiment of the E.P.U. It is apparent that the problem of a payments union for the Asian region is being raised prematurely and it is difficult to foresee when it can take shape.

Since, however, interest in pursuing this proposal in its logical implications has been persistent in some quarters, it was taken up for preliminary consideration by a Working Group of experts on payments problems at the instance of E.C.A.F.E. The countries of the region which were represented in the Working Group were Burma, Ceylon, China, Indonesia, Japan, Pakistan and the Philippines. Although the Group has not found it essential to form any tentative conclusion on this question, the trend of its general observations corroborates the prevailing view that the prospect of setting up the payments union is far from practicable at the present time and the scheme must be deferred for quite some years.

Little Enthusiasm

The absence of any urgency for the establishment of a payments machinery for the region is undoubtedly at the root of the lack of en-

* U.N. Economic Commission for Asia and the Far East.—Ed.

thusiasm that is currently in evidence for the proposal. The countries of this area have so far evinced no willingness to sponsor the union primarily because the pattern of their trade has been shaped on definite traditional lines by reason of their pre-independence political and economic ties and this pattern has given no material cause for any desire for substantial change. On the other hand, it has earned for them positive benefits by way of payments facilities by virtue of their membership of important currency areas led by the major international trading countries.

Thus Burma, Ceylon, India and Pakistan enjoy membership of the sterling area, Cambodia, Laos and Vietnam belong to the franc areas, Indonesia to the guildler area and the Philippines to the dollar area. These links extending over decades of close economic relations have been serving practically their major requirements and the absence of the prospect of the proposed Asian payments union performing any additional functions more effectively has detracted from its immediate appeal.

Different from E.P.U.

The volume of intra-regional trade which can be additionally benefited by the projected payments union is estimated to be of a modest size, and granting that this limitation applies in a lesser degree to the trade of E.P.U. countries, there is a vital factor of distinction between the two. The settlements of the E.P.U. include, in addition to the balances of its own region, also

From *The Eastern Economist*

the balances of outside countries which are linked with the different areas of European currencies. In the case of the Asian payments union, therefore, the scope of intra-regional trade must be enlarged and liberalised if its utility in the settlement of payments balances is to be made worth while.

Trends in the intra-regional trade of the E.C.A.F.E. area in the past few years do not lend corroboration to a sense of optimism. The dependence of most of the countries of this area on a limited range of products makes the fluctuations in their exports constant and sometimes violent. Their export earnings are subject to great variations even in short periods, causing similar variations in their net payments position. The collapse of the boom in primary products after the end of the Korean war and in rice due to a successful drive in indigenous production in the importing countries are fresh phenomena causing large upsets in the balances of exporters of primary products.

Precondition

An essential condition precedent to the establishment of a payments union in the region, therefore, is the liberalisation of the trade, but this problem is fraught with certain obstacles which would inevitably take time to be removed. The compulsion of the situation to resort to import restrictions is one large obstacle at the present time. Many of these restrictions are being relaxed, but their total end is not yet within sight. In view of the time that must elapse before multilateral trade can be restored on a basis of stability, promotion of trade by means of bilateral agreements has been left as the only alternative, but its

success cannot be taken as assured. India's experiment of bilateral trade agreements with the countries of this region has not served to stimulate trade on an appreciable scale, largely because of the inflexible composition of the trade and the recent recession in the major export commodities.

Wide Fluctuations

The fluctuations in the trade between E.C.A.F.E. countries in the past three years may be illustrated with reference to the different currency regions. The figures of value quoted here represent quarterly averages. Burma's exports in the intra-regional trade declined from \$33.2 million in 1950 to \$17 million in 1953, while the decline in her imports shows a drop from \$17.5 million in 1950 to \$16.5 million in 1953. But in relation to 1951 and 1952, it is much steeper. Cambodia, Laos and Vietnam, however, have registered some increases under both the categories in the same period. Indonesia's exports fell from \$73.4 million in 1950 to \$67.6 million in 1953, but imports shot up during the identical period from \$39 million to \$79.9 million. The large imbalance in Indonesia's payments position in the global context is also borne out in her South-East Asian trade. Malaya has disclosed a similar downward trend. The Philippines, however, has registered a positive increase, but her imports in 1953 were lower than in the two previous years.

Since perfect balancing of surpluses and deficits is not feasible and a net balance must normally emerge, a payments union without working capital for central clearing must be ruled out. In view of the wide fluctuations in the net balances, the size of the working capital will

have to be large and the initial quotas will have to be pitched high. The prospect of obtaining the requisite working capital externally is hardly assuring. In the absence of any existing financial institutions in the region analogous to the Bank for International Settlements in Europe,

a special agency will have to be set up for determining initial credit for the working capital, monthly clearings, and other technical functions. All in all, the hurdles indicate postponement of active consideration of the proposal.

100,000 Houses a Year—in Canada

A GLANCE at the vigour of the recent activity in housebuilding naturally leads to the question: how long can the boom go on? Much of course depends on the general level of real income, which if it continues to rise will provide the effective demand. As for the special influences affecting housing, new legislation has significantly eased the financing problem, by helping the individual family trying to scrape together a down payment, and represents a major attempt—and perhaps a major success—at removing one of the biggest obstacles in the way of building 100,000 houses a year.

Looking ahead, the influence of the growth in population is less clear. The number of marriages has recently shown a slight decline, reflecting the decreased number of people born in the depression years and now coming of marriageable age. This decline may well go on for several years and, needless to say, it would be accentuated should the deterioration in employment conditions continue and lead to a rise in the average age at marriage and to a slackening of immigration.

On the other hand, the birth rate remains remarkably high, and there are indications that the number of children desired by the average post-war family is larger than was common before the war. It appears, then, that the number of new families may fall off in the near future, while the number of families with several children may rise. This suggests a possible decline in the demand for apartments and small houses and a rise in the demand for 3- or 4-bedroom houses.

On the supply side, there is now no shortage of materials to impede a continued boom in housing. In many communities, however, especially around the metropolitan areas, serviced land is increasingly scarce and high-priced. Municipalities are finding the costs of development burdensome, and this task is being done more and more frequently by the builder himself. The need for more schools and hospitals is acute, and good community planning has so far been woefully lacking in many new suburban areas. Problems of this sort loom large in the present housing picture.

From the Bank of Nova Scotia

Malaya's Trade in 1954

MALAYA'S foreign trade in merchandise during the first half of 1954 totalled £336m. Imports were valued at £174m. and exports at £62m., making an adverse balance of £112m. compared with an adverse balance of £10m. during the same period last year, when imports were valued at £190m. and exports at £180m. The lower market prices obtainable for the principal commodities, rubber and tin, were chiefly responsible for the decrease in the trade figures.

Rubber

The average price of rubber for the first half of 1954 was 1s. 5d. per pound compared with 1s. 9d. per pound for the same period last year. At the commencement of the year the price was 1s. 4d. per pound but improved to 1s. 8d. per pound in June. Total exports amounted to 456,752 tons valued £68m. Of this 95,835 tons, valued £15m., were exported to the United Kingdom. Exports to U.S.A. totalled 87,641 tons valued £12m. compared with 97,745 tons valued £18m. last year. There was an increase of 48,118 tons in the volume exported, but the total value decreased £8.7m. compared with the first half of last year. The increased shipments were chiefly to Europe, Australia and Japan.

These figures include heavy imports of Indonesian rubber imported through the entrepot of Singapore. Much of it is low-grade rubber which is re-milled in the Federation. The total production of rubber in Malaya itself was 264,880 tons.

Of this 159,993 tons came from large estates and 104,887 tons from small-holdings. Both large estate and small-holding production showed a decrease, the total falling-off being 9,797 tons as compared with last year's figures.

Tin

The average price of tin also showed a fall, being £707 per ton, compared with £843 per ton during the corresponding period last year.

Total exports amounted to 34,248 tons valued £22m. compared with 31,353 tons valued £27m. last year. Shipments to U.S.A. totalled 20,379 tons, an increase of 6,894 tons, the comparative value being £13m. against £11m. last year.

There was a considerable falling off in the exports of tin to the United Kingdom and 'Other Countries' (chiefly Europe), where shipments to these destinations decreased 3,229 tons and 8,536 tons respectively. As to trade generally, the United Kingdom continued to be the principal supplier of heavy machinery, consumer and manufactured goods, and total imports from this source amounted to £35m. compared with £42m. last year.

Exports to the United Kingdom were valued at £22m. Last year the value of exports was £33m.

Due to the increased shipments of tin and the continued exports of rubber, Malaya again maintained a strong favourable balance of trade with the U.S.A. which amounted to £19m.

From A Monthly Survey of Commonwealth and Colonial Affairs

Investments, Dividends and Wages

	Percentage increase from previous year							Percentage increase between 1946 & 1953	
	1946	1947	1948	1949	1950	1951	1952		1953
1. Average weekly earnings per head of wage earners	2	9	9	4	5	10	8	6	64
2. Total wage bill	—	13	14	5	5	11	6	6	76
3. Total interest and dividends paid by companies and public corporations	—	6	3	1	4	11	5	12	50
4. Retail prices: working-class households	—	—	8	3	3	9	9	3	40*
5. Retail prices of all consumers' goods and services	3	6	8	3	3	9	6	2	43

NOTES:

For several series, comparable figures are not available for 1945, so that no percentage change can be given for 1946. For this reason, the last column shows the percentage increase between 1946 and 1953.

LINE I: Statistics of average earnings of operatives in manufacturing and a number of other industries in certain weeks of each year published in Ministry of Labour Gazette.

LINE II: From 'National Income and Expenditure 1946 to 1953', Table 2.

LINE III: From 'National Income and Expenditure 1946 to 1953', Table 3.

LINE IV: Interim Index of Retail Prices published in Ministry of Labour Gazette. Relates to changes in prices paid by working-class households since June, 1947. The figures for 1948 shows the percentage change from June, 1947.

LINE V: From 'National Income and Expenditure 1946 to 1953', Table 20.

* Average of 1953 compared with June 1947.

THE WAY THE MONEY GOES

In the year ended July 1954 the average weekly expenditure by Britons on drink was 6s. 6d., on tobacco 6s. 5d., on amusements 1s. 5d. and on gambling 6d.

U.K. DEATH DUTIES

In 1895-6 the proportion of revenue from death duties was 12.9 per cent; in 1953-4 it was only 3.6 per cent.

* * *

Digest Reviews

TRADE AND FLAG

The East India Company and the Economy of Bengal from 1704-1740, by Sukumar Bhattacharya. Luzac and Co., 21s. (cloth).

Before August 1947 Indian historians found it difficult to write objectively about the East India Company. Mr Sukumar Bhattacharya, however, who is Professor of History at Ashutosh College, combines fairmindedness with clear writing and patient scholarship. He neither hides nor exaggerates the defects of 'John Company' and its servants.

He quotes Sir Thomas Roe, James I's envoy to the Great Mogul: 'Europe bleedeth to enrich Asia'. Despite the mercantilism of the time and the export of English manufactures, like broadcloth, Bengal in the period discussed had a continuous excess of exports over imports from Europe. The Westminster Parliament legislated against the importation of Bengal textiles and calico, but this had small effect. English merchants profited from re-exports to the Continent of Europe. It was later than 1740 that Western industrialism overwhelmed Bengal craftsmanship.

Indian poverty in the earlier period contrasted less glaringly than subsequently with European living standards. But the economic and social system was unbalanced and unhealthy. Caste bred stagnation and there was no middle class of enterprise and enlightenment. The British enforced their influence upon a sick society incapable of real resistance.

FEEDING INDIA

Between Us and Hunger, by C. Mayadas, M.A., B.Sc. Oxford University Press (London: Geoffrey Cumberlege); 17s. 6d.

With her rapidly growing population India has special cause for concern about world food supplies, and the author of this book urges that the wastage of the vast rural resources of India should be halted. He makes practical recommendations on soil conservation, irrigation, land reclamation, crop pests and other equally vital matters, which are based upon his own farming experiences.

Our *Economic Problems, by Professor P. A. Wadia and K. T. Merchant. New Book Company, Bombay; Rs.8.*

The fundamental problem confronting India centres round the one word 'poverty'. How to increase the standard of living is the major economic question, and this book attempts to analyse these matters and place them in their correct relationship to world economic forces.

A great many facets of the Indian economy are covered, the natural resources, the importance of the human factor, agricultural production with particular reference to the provision of agricultural credits, industrial relations and efficiency, and so on.

The authors reach the controversial conclusion that— 'With a population inefficient in productive powers, many of them cut off in the prime of life, when their contribution to the national income is at its maximum, with potential resources adequate even for our

present overgrown numbers, what we need is a socialised planned economy for our agricultural production, backed by our national resources for the maximum utilisation of our land. Thus, alone, we may perhaps be able to bring within the reach of all an adequate and a nourishing diet, saving the masses from the inroads of disease and starvation, and building up with the lapse of time a healthier and happier generation.'

E.H.

MUSLIM DOMINION

Jinnah, Creator of Pakistan, by Hector Bolitho. John Murray; 18s.

It was only in 1940 that Pakistan became the official aim of the All-India Muslim league. *Quaid-e-Azam* Mohammed Ali Jinnah had himself been a prominent Congress leader. He had believed in unity for the sub-continent as in the Empire which imposed that unity.

But as it became more likely that the imperial power would be withdrawn, so fears increased for the future of the Islamic faith and cultures and of the *Millat* with its memories of hegemony and grandeur. Those Muslim fears were not allayed by the experience of Congress Raj throughout most of British India from 1937, when Provincial Autonomy became effective, until after the outbreak of war in 1939. In 1947 Partition became the price of Independence, and Jinnah the first Governor-General of a Dominion which respected the rights of minorities but was based on a religious criterion and was therefore divided into a western and an eastern wing, separated the one from the other by a vast expanse of Indian Union territory.

Few Englishmen took Pakistan seriously before the Viceroyalty of Lord Mountbatten. The Left usually condemned the Muslim League as the instrument of an imperialism which used communal suspicions in order to divide and rule. Unity was hailed as the supreme British achievement not lightly to be thrown away. In any event, it was said, Pakistan was not 'viable'. The greatest Muslim State was born in blood. Her economy was at once threatened not only by such dislocations as the cutting off of East Bengal jute from West Bengal jute mills or the loss of access to Indian coal and steel and textiles but by the flight of Hindus and their capital and the mass immigration of Muslim cultivators, mostly poor and ignorant. Thanks to Pakistan's share of the Services,—Mr Hector Bolitho records the first Governor-General's gratitude to the British who stayed on to help—but thanks above all to the fervent patriotism of her people and their sense of 'Islam in danger', the new nation survived and grew.

Frail, a victim of tuberculosis, her founder had not expected to see Pakistan. He had determined to go on even if it killed him, and it did. The courage, faith and absolute single-mindedness of a very great Commonwealth statesman burns brightly in Mr Bolitho's pages which, if not those of a definitive biography, are convincing, entirely readable and very moving. It would be hard to write tamely of such a man. Aloof, introspective, severe, faultlessly dressed in the Western manner, a martinet, Jinnah appears as the master of the multitudes who made it few concessions. He was proud and could be rude and overbearing. His honesty shone incorruptible. He gained the devotion of his staff and

of the students he loved to advise and to chide for playing at politics.

The career of Jinnah which is the story of Pakistan is an example to economists. Economic laws forbade such a State to exist. But nationhood and the desire for sovereignty are stronger than conventional economics.

COLONIALISM JUSTIFIED

The British Colonies, by W. E. Simmeth. Hutchinson's University Library; 8s. 6d.

'All earlier empires had followed the orthodox pattern and inevitably had suffered decline and fall; the British Empire was the first to grow and transform itself peaceably into something unique in history. The Commonwealth is therefore probably the most interesting and startling political experiment that has ever been made, an experiment moreover that is still in progress; indeed the stage which it has now reached is perhaps the most important for its future development. For that reason and because in the last analysis that future depends upon ourselves, we should all take the keenest interest in it; yet the truth is that neither among the British public nor the overseas peoples is there any full knowledge or understanding of its implications or great potentialities.'

Thus writes Mr Simmeth, author of this invaluable book, which gives much useful information on the origin of the Colonial Empire, its assets, conditions, systems of government, its past and possibilities of future development. It is a book which should certainly be readily available in every school library throughout the Commonwealth.

E.H.

ATLANTICITIS

Faith and Freedom. A Study of Western Society, by Barbara Ward. Hamish Hamilton; 16s.

The authoress acknowledges before she begins the influence of Christopher Dawson, Jacques Maritain, Reinhold Niebuhr, Arnold Toynbee and R. H. Tawney. Wide reading and clear writing here contribute to a book which offers the general reader a very competent introduction to the story of Western civilisation.

Like Tawney, Miss Ward treats of Calvinism and Capitalism. Her religious allegiance is that of Dawson and Maritain and, as Christians should, Miss Ward rejects the determinism common in pre-Christian thought which returned in the eighteenth and subsequent centuries. Yet there is a hint of determinism both in some of Toynbee's conclusions and in Miss Ward's conception of Atlantic Union. She writes boldly of world government as a truism not generally disputed as a principle. Yet the very principle is to many minds objectionable, for its application would mean a monstrous and arbitrary concentration of political and technological power. World government would wither those values which spring from nationhood and are associated with patriotism. It would be destructive of Freedom and perhaps also of Faith. Miss Ward is here less concerned with the virtues of patriotism than with the excesses of nationalism. She does not condemn the Commonwealth but sees the development of the underdeveloped countries as an international responsibility, not as the joint enterprise of groups of states and territories bound by partnership, history or allegiance.

Miss Ward seems to suggest that but for 'unrepentant nationalism' and the Communist Powers (they are all for world government of a kind) we might all become happily cosmopolitan. The Randall and other American Reports are quoted as recommending 'some or most of the major lines of policy needed to ensure economic stability and expansion in the West'. The Randall Commission's adherence to the unconditional most-favoured-nation principle (on this its members were united) is certainly consonant with Miss Ward's conception of the Atlantic Community. It is a conception which the nations of the West would accept at their peril. Neither they, nor the family, which lies even more at the foundation of Christendom, are out of date and it is upon ancient truths and traditional loyalties that we must build, not upon the shifting sand of a free world multilateral system of trade and payments.

J.B.-D.

TEUTON AND GAUL

French Policy towards Germany since the War, by Robert Schuman. *Geoffrey Cumberlege: Oxford University Press*; 2s. 6d.

This, the fourth, Stevenson Memorial Lecture was delivered at Chatham House on October 29th, 1953, under the appropriate chairmanship of Mr Harold Nicolson and the joint auspices of the London School of Economics and Political Science and the Royal Institute of International Affairs.

The former Foreign Minister of France, who did so much inspire the federal conception of European integration, singles out with brief clarity the main points in his country's

policy toward post-war Germany and the main differences of aim, for example on reparations, between the French and their Western allies. We are reminded of the desire to detach the Ruhr from the conquered Reich and the Saar is given proper attention, for it weighs heavily in the economic balance between France and Germany.

M. Schuman did not dwell unduly before his London audience on the supranational implications of the great plan for the pooling of coal and iron and steel which bore his name. He commended the Eden Plan of that time which was designed to prevent the specialised 'communities' of a Little Europe of the six Schuman States from causing a rift between them and the other members of the Council of Europe. He gives the dread potentialities of Germany, of which his country is more conscious than any other, as the reason why he has worked for a Union of Europe bound more rigidly than the Commonwealth whose success is applauded in this lecture. Yet the proposed structure of Western European Union is that of a Commonwealth with the rules written down.

THE UNIVERSITIES IN GREAT BRITAIN TODAY

Background of the University Student. Planning, Vol. XX, No. 373, 8 November, 1954. P.E.P. (Political and Economic Planning).

It would seem that the universities of England and Wales offer opportunities of social climbing, if any one in those countries still wants them! For, as this interesting and concise survey reveals, women students come from higher social grades

CO-PARTNERSHIP: A BRITISH EXPERIMENT

Fairer Shares, by John Spedan Lewis. *Staples Press*; 8s. 6d.

The John Lewis Partnership has developed into a partnership of nearly twelve thousand members with a pay-roll of four millions a year. The impact it has made on those employed, and the improved industrial relations which result from the introduction of carefully worked out schemes of co-partnership, are well brought out and make the book one worthy of careful study.

FACT AND FANTASY

East-West Trade, by Jean Bird. *Batchworth Press*; 1s. 6d.

This 'Background Book' contains the right number of facts and figures for its forty-odd pages. It was written in time to take into account the relaxation of strategic restrictions which began with Mr Stassen's visit to London in March, 1954.

The writer does not see glittering commercial prospects in the East, and shows that trade with Soviet Russia was never very great. She includes a short chapter on trade with China.

ALSO RECEIVED:

Money Trade and Investment, by G. D. H. Cole. *Cassell*; 25s.
Money and Banking in British Colonial Africa, by W. T. Newlyn and D. C. Rowan. *Oxford University Press (London: Geoffrey Cumberlege)*; 30s.

These important books will be reviewed in our next issue.

than the men. In what is in a sense a reversion to the Middle Ages, the proportion of children of manual workers, clerks, shop assistants and salesmen at the universities has increased during the past five years from one-third to almost half.

In the academic year 1952-53 there were more than 67,000 students in the universities of England and Wales. This broadsheet takes a sample from one of the two ancient universities, a university college, a college of the University of Wales and a college at London University, and draws a comparison with P.E.P.'s earlier survey of students in 1947-48. There is a remarkable increase in the number of students from the British Dependencies.

WILD WALES?

Towards an Economic Democracy, by D. J. Davies, M.A., Ph.D. *Plaid Gymru, Cardiff*; 2s.

This booklet presents the economic aspects of Welsh nationalism. The 'Basic Principles' at the beginning reach beyond capitalism, socialism and liberal internationalism to ideas akin to those of the distributists.

BLACK ART

How to Lie with Statistics, by Darrell Huff. *Collanz*; 10s. 6d.

To those who are inclined to place too great a reliance on statistics, this book should provide a healthy antidote. Amusingly written and illustrated with great good humour by Irving Geis, it is an invaluable half-guinea's worth to all who seek to find the truth in a statistically-minded world.

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).

Indian Facts and Figures

Monthly Abstract of Statistics, Government of India Cabinet Secretariat, Central Statistical Organisation New Delhi, August 1954.

Brings together the principal heads of data on the developing economic situation, as collected by the statistical agencies of the various Ministries. (576)

European Economies:**(1) British Boom**

Economic Conditions in the United Kingdom. O.E.E.C. Paris, November 1954.

Reports a remarkable recovery from the 1951-52 recession, improving terms of trade until April 1954 and rising gold and dollar reserves in the Sterling Area. Commends the Government's policy of 'greater economic freedom and flexibility' but gives warning that increased wages and profits must be balanced by increased productivity. (577)

(2) Norwegian Analysis

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

Some deficit continues in the balance of payments, but substantial imports of new capital have been obtained. (578)

(3) Benelux

Economic Conditions in Belgium, Luxembourg and the Netherlands. O.E.E.C. Paris, November, 1954.

Tells of a stronger Government policy of expansion in Belgium, considered necessary if she is to keep up with other countries. Balance of

British T.U.-ism

Trade Unionism Today. Liberal Information Series. New Series, No. 13.

Contains basic factual material as well as criticism and comment on 'contracting-out' and other controversial aspects of the British Trade Union Movement in the era of nationalisation and welfare politics. (573)

American Marketing

The Role of Marketing in Building a Better America. National Association of Manufacturers, New York.

An attractive twenty pages on a vital element in American economic efficiency, and in the advancement of the other 'technologically well-developed countries'. Figures are given which illustrate that all backward countries 'have a much smaller part of their population engaged in marketing', an activity which is inseparably bound up with economic progress. (574)

Britain's Manpower, Pre-war and Post-war

From Midland Bank Review, November 1954.

Summarises war-time and post-war controls over labour and examines changes in the distribution of the labour force. (575)

payments improvement in the Netherlands has been followed by further relaxation of restraints enforced in 1951 on internal demands. Dutch taxation is to be cut. (579)

(4) Improvement in Italy

Economic Conditions in Italy. O.E.E.C. Paris, November 1954.

Reports a good year (1953) and favourable prospects, although the problem of unemployment and under-development in the South remains unsolved. The Government has a comprehensive ten-year plan under consideration. (580)

North American Survey

Economic Conditions in Canada and the United States. O.E.E.C. Paris, November 1954.

Speaks of decline, less in Canada than in the United States, despite close ties between the two economies, and of recovery. With reservations as to the effect of the large decline expected in farm incomes, anticipates possible further improvement. 'If economic activity in the United States revives a further stimulus will be given to expansion in Canada.' Canadian claims to higher protection are mentioned and the resistance to them of the Liberal Government at Ottawa. (581)

Queen's Highways

Britain's Roads—Paralysis or Progress?

Mr Christopher T. Brunner, Vice-

4 ★

Chairman of the British Road Federation, marshals a formidable case against the failure of the British authorities to provide a fully efficient highway system, with consequent chaos and economic loss. Proposes the setting-up of a National Highways Authority and the floating of Road Loans up to £500 million. This article is included in the *National Provincial Bank Review*, November 1954. (582)

Communist Commerce

Polish Foreign Trade, No. 24 (4), 1954.

Another glossy production, profusely illustrated, of the Polish Chamber of Foreign Trade in Warsaw. Includes a list of Central Organisations for Foreign Trade. (583)

British Student Survey

Background of the University Student P.E.P. (Political and Economic Planning), being Vol. XX, No. 373, of Planning, 8 November, 1954.

This brochure is described in one of the Digest reviews. (584)

Randall Analysis

A Critique of the Randall Commission Report Prepared by Klaus Knorr and Gardner Patterson, International Finance Section and Centre of International Studies, Princeton University.

This is an additional copy available for consultation of a publication which already has been noticed in *Economic Digest*. (585)

and for somewhat lighter reading . . .

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