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Digest Spotlight focuses on

Sir Edward Boyle, Bart, M.P.

SIR EDWARD BOYLE was only 32 in April, 1955, when he succeeded Mr Raymond Maudling as Economic Secretary to the Treasury; but he had already held office as Parliamentary Secretary to the Ministry of Supply and before that had put his foot on the first rung of the ladder when Mr Nigel Birch made him his Parliamentary Private Secretary. At the Treasury Sir Edward had shown a remarkable flair not only for coping with the manifold business of his department but for putting its case convincingly in the House of Commons. His vigour in Debate—complex economic arguments are fired off at a speed which knocks would-be interrupters back into their seats—has greatly added to Boyle's reputation as a rising hope of the not so 'stern and unbending' Tories. He is a first-rate winder-up of a economic debate and the brilliant exponent of an abstruse subject. Of portly physique, Boyle has an agile mind.

At 33 he can look forward to many years of active public life. Few succeed in establishing themselves so early in their career and Sir Edward has so far done nothing to spoil his prospects. Much of his coming reputation may depend on the skill with which his retentive brain selects those policies which are most likely to conduce to Britain's economic health. Sir Edward has himself described the country's major economic problems as the 'solving of

our balance of payments problem', 'the avoidance of inflation', and the 'increase of our productive wealth'. Few will disagree that these three questions are of prime importance; not everyone will agree that the policies at present pursued by Her Majesty's Treasury will achieve their permanent solution. Harold Macmillan and Edward Boyle are however two original, fertile and courageous men. It may be to Sir Edward's advantage that he did not read economics at the University. He is fully capable nonetheless of meeting the professionals on their own ground but economics are only one of Sir Edward's many parts. He is a man of wide culture and if a Tory could be that he would be an 'intellectual'.

His origins and background were favourable to a rapid rise to office. His grandfather, the first Baronet, represented Taunton in the Conservative interest. His father was British High Commissioner for Serbia during the First World War. At Eton, Edward was Captain of Oppidians and revealed his possibilities as both writer and politician by editing the 'Eton Chronicle' and becoming President of the Political Society. He enlisted as a private in the General Service Corps, later serving as temporary junior administrative officer in the Foreign Office for the rest of the war. He returned briefly to the world of international relations as delegate to the Consulta-

tive Assembly of the Council of Europe in 1953-54. He concerned himself at Strasbourg with Economic Questions.

A History Scholar of Christ Church, Oxford, Boyle became President of the Union and was one of the debating team which visited the U.S.A. in 1947-48. With him on this tour was Anthony Wedgwood Benn, the young Socialist hope.

Journalism next claimed Sir Edward, who in 1949 became Assistant Editor of the National and English Review. He contributed in particular editorial notes on political and economic matters.

During the 1950 General Election Boyle contested unsuccessfully the Perry Bar Division of Birmingham. A few months later a by-election in the City's Handsworth Division,

where he had already been adopted as prospective Conservative Candidate, presented a further opportunity. Sir Edward was returned as Member for this constituency in November, 1950, and has held it since with increasing majorities.

For a short while he held the distinction of being the youngest Member of the House of Commons. It was not long before he began to make his mark by his speeches on financial matters. His contribution in the Budget Debate of April, 1951, drew praise from the then Chancellor of the Exchequer, Mr R. A. Butler, and Boyle was increasingly recognised as one of the most redoubtable Conservative debaters and one who always mastered his subject.

Sir Edward is a music lover. He walks for pleasure and is an enthusiastic follower of County cricket.

Still Suez

Russia's open support of Egypt is probably by no means due solely to a desire to harm the Western powers or to increase her diplomatic foothold in the Near and Middle East, for there is a strong belief that she has more solid economic grounds for her action. The Roumanian oilfields are believed to be nearing exhaustion and those of the Caucasus are subjected to heavy demands. Further exploration behind the Urals, though there is the usual secrecy about it, does not appear to have led to any results of a startling nature.

It is now hard to see how the affair will proceed. The departure of the qualified pilots, the technical incompetence of the Egyptians and of their new makeshift employees, the loss of canal trade, the annoyance of the Arab oil kings at Nasser's arrogance and threat to their interests, Egypt's own economic situation and the knowledge that Britain and Ethiopia control the upper waters of the Nile—all these may affect the outcome. But all must be slow in taking effect.

This is another example of the tearing up by one country, indeed in this case by one wild man, of a whole group of treaties. For this alone Nasser's action should be resisted. But in addition to this the economic interests of Great Britain, of the Commonwealth and Empire and of all the countries using the Canal are gravely threatened. Colonel Nasser and Egypt must be made to understand that such things cannot be done with impunity.

From Empire Industries Association

Commonwealth Survey

(1) IS THE COMMONWEALTH BREAKING UP?

NO! SAYS BERNARD BRAINE, M.P.

THE Commonwealth is not breaking up; it is growing up. And we must have the grace and good sense to adjust ourselves to that simple historical fact—and to do so in good time.

Equally there is need for drastic re-thinking about economic relations. Two developments will force the pace. The first is the possibility of a European common market being established from which Britain and the Commonwealth are excluded. The second, more long-term, is the degree to which the Soviet Union succeeds in challenging us in our own traditional markets.

Britain and Western Europe, allied with the raw materials and limitless development potentialities of the overseas Commonwealth, would create a viable economy of great strength and a common market of great size fully capable of withstanding pressure from any quarter.

Europe-Commonwealth Link

There are difficulties, of course. First and foremost there is the hard fact that no new pattern of trading arrangements can rid us in Britain of responsibility for keeping our own economy healthy and competitive; there is no substitute for efficiency. Then there is the special relationship of Canada with the United States. There are divergences of view on the subject of tariffs within Europe. And there will be strong American opposition to any modification of G.A.T.T. But none of these is insuperable. In part the problem might be met by the creation of a two-tier system of preferences which would enable Britain and France to maintain their special economic relationships with their overseas associates while offering lesser preferences to other countries accepting the new arrangements. Commonwealth ties then are varied and many. Some are strong and could become stronger; some are weak and a source of anxiety to all who value the association. But this much is clear. The system cannot stand still or drift along, relying on tradition,

End of G.A.T.T.

Imperial preference, the Sterling Area, even G.A.T.T. have helped in their various ways and at different times to encourage the expansion of Commonwealth trade. The first of these has been largely nullified; the second seems no longer able to provide a sufficiently wide area to sustain long-term economic growth; and the third has come to an end of its usefulness in removing tariff barriers.

Between a highly-protected and immensely powerful dollar area and a ruthlessly directed rouble empire we could be crushed out of existence and without us the Commonwealth would quickly fall apart. But the great productive capacity, natural advantages and inventive genius of

From Investors' Chronicle, August 25, 1956

sentiment and the *habit* of association. It must become more important to its constituent members or it will decay and finally perish.

Britain the Hub

In all this and much else, responsibility for giving a lead, setting an

example, providing an inspiration, rests squarely upon Britain—for though she can no longer *command* adherence to her policies and is but one of a partnership of states, she remains the only possible hub around which the Commonwealth system can revolve.

(2) INDIA AND THE COMMONWEALTH

BY 'SAKSHI'

THE Commonwealth will make a significant contribution to world progress if it succeeds in keeping together its far-flung and multi-racial membership at different levels of economic development with African communities at one end of the scale and India and the Dominions at the other.

British coldness if not worse to Indian feelings about Goa and Kashmir and the intransigence of South Africa in race discrimination are the factors that are straining the Commonwealth bonds to breaking point. But these are not irretrievable so long as *the will* to meet and confer and exchange thoughts continues. This *will* was demonstrated in the meetings at London. The persistence of Pakistan in trying to make the Commonwealth consider officially her dispute with India in regard to Kashmir and the enforced meeting between the two Prime Ministers at the instance of Sir Anthony Eden was not allowed by India to generate feelings of antagonism to the Commonwealth. Even the South African obstinacy has not caused the ship to founder. No purpose is served by open breaks. The problems of race and empire and economic interest are obstinate problems that require in-

oppose their ruling capitalist classes. This is part of the strategy evolved by Lenin and perfected by Stalin. According to the Stalinist doctrine, it is the duty of the Communist parties of all nations to repudiate all loyalty to the bourgeois sovereignty of their *own* national governments and to cultivate whole-hearted loyalty to the Russian Soviet State as the leader of world Communism under which alone the masses of the world proletariat can see the face of redemption. Mao Tse-tung expounds this doctrine as the only true form of internationalism, namely solidarity with the proletariat of the entire world and loyalty to the Russian Soviet State as the sole architect of an earthly paradise for the workers.

Communist Strategy

In this light, it is not surprising that the Indian Communist Party should call for the severance of India's relationship with the Commonwealth. Their Third Congress held at Madura in 1953-54 witnessed a bitter conflict of opinion between two factions regarding the relative roles of Britain and America as the principal enemy of the working-class movement. The Fourth Congress held at Palghat in April this year reiterated the demand for a severance with the Commonwealth and for the liquidation of British capital in India. According to Communist theory, the presence of British capital in India is a sign of the survival of colonialism. Even trade with the free countries is a symbol of bondage to the West while trade with Russia and China is a factor that makes for freedom!

The Communist strategy is based on the theory of an irreconcilable conflict between the Soviet camp and

that of the free world. The doctrine of co-existence that they are now putting in the forefront of their policies and propaganda is intended as a tactic to serve in periods when open conflict is unhealthy for the Communist cause.

Isolate the Bourgeois

Communist theory after Lenin regards the present as an epoch of world imperialism in which though imperialist Western nations compete and war with each other, they cooperate and mutually reinforce each other's interests as slave-holders and exploiters.

In this way an international bourgeoisie grows up with groups of national bourgeoisies in different countries forming cartels and trusts across national barriers. They develop skill in administration and management, knowledge of markets and peoples and of the changing international scene. Hence the masters of international Communism call upon their henchmen to concentrate attention on isolating the international elements of the bourgeoisie of different nations. Such isolation is a prelude to their annihilation when the revolutionary situation becomes ripe. 'National' capital or bourgeoisie on the other hand might be enticed to collaborate with the revolutionists in the hope of safe continuance under the new régimes.

This has happened in the East European States that were swept into the Russian orbit at the end of the war and is happening in China today.

False Nationalism

The call of the Indian Communist Party to the Indian Government

and people to leave the Commonwealth is a clear outcome of Communist strategy. If it is nationalism, it is a spurious nationalism of the sort expounded by Mao Tse-tung. If it is internationalism, it is of the sort set out by Lenin—the internationalism of the Third International aiming at the hegemony of the international proletariat and the Communist élite led by the Russian Soviet Power.

It is an attempt to divide the ranks of the industrial and commercial classes with a view to their ultimate extinction along with the extinction of the freedom of the nation.

The 'strategy' implied unconsciously for the most part in the practice of the Commonwealth consisting

of patient attempts at the solution of problems through tolerant discussion and through an endeavour to discover and enhance areas of agreement is far superior in value. We should not be stampeded by the propaganda of the Communist parties and the impatient clamour of slogan-led politicians and publicists into a break with the Commonwealth.

There is nothing to prevent our using the Commonwealth association both for national and international purposes. Both the ethical tradition of India and the suggestions of enlightened self-interest point towards a continuation of membership in the Commonwealth as the best policy.

(3) NEARER THE RAINBOW'S END?

SOUTH AFRICA AND THE PRICE OF GOLD

LEGEND has it that at the foot of the rainbow there is a pot of gold. But the rainbow always ends on the other side of the valley, beyond reach of the fleetest and most persevering seeker. Year after year—for longer than many investors care to remember—it has lingered transiently over Washington, until its glowing colours were rudely dispelled by the grey twilight of American intransigence.

Dynamic Impact

An increase in the price of gold would obviously have a dynamic impact on the economy of a country

From The Mining Journal, September 14, 1956

whose gold mining operations last year resulted in a working revenue of £177,414,094 (excluding gold produced by non-members of the Transvaal and Orange Free State Chamber of Mines) and a working profit of only £44,252,990.

Producers in Canada, Australia and in the U.S. itself are no less victims of the relentless squeeze on profit margins resulting from the inflation of the past decade and a half, which has seen everything go up in price but gold. Indeed, the most bitter critics of U.S. gold policy have been the domestic producers, who consider that their industry has

been shamefully treated by successive governments.

Hopeful

It is conceivable that even the pursuit of a rainbow, if carried out with sufficient resolution, might ultimately prove rewarding. This year there are rather more solid grounds for hoping that the International Monetary Fund may experience a change of heart, not through any belated concern for the pockets of hard-pressed gold producers, but because the narrowing gap between the American gold stock and the country's short-term liabilities to foreigners is at last beginning to attract attention within the U.S.

Despite record exports and a bigger trade surplus, the U.S. has continued to incur a deficit in its overall balance of payments, thereby enabling foreign countries to add to their gold and dollar holdings. Foreign short-term dollar assets, including deposits and U.S. Treasury obligations, now total around \$14,500,000,000, equal to 66 per cent of the gold stock which currently stands at \$21,800,000,000, compared with \$24,600,000, equivalent to 31 per cent in 1949. The U.S. net reserves have, in fact, been reduced to roughly half the figure at which they were standing only seven years ago. The question is being asked how long the U.S. can afford to go on spending and lending abroad and piling up these potential claims against its dwindling stock of gold.

At present the gold stock is so large in relation to these short-term balances that more than two-thirds of the latter could, theoretically, be withdrawn and still leave enough gold

to meet the statutory requirements of 25 per cent against Federal Reserve notes and member bank reserve deposits. Considering the need on the part of foreign countries to maintain adequate U.S. balances, this would appear to be ample cushion save under extreme panic conditions or in the event of another major war.

The Jackpot

On the other hand, it is conceivable that the trend of recent years might continue until foreign short term holdings exceeded the gold stock and the U.S. became vulnerable to a flight from the dollar. The well-known South African economist, Dr W. J. Busschau, quoting banking figures published by the International Monetary Fund, showed recently that in 1937 the overall gold/paper ratio was about 40 per cent and if separate calculations were made for the U.S. and the rest of the West, the U.S. figure was somewhat higher than the figure for the rest. If a similar comparison were made now, the gold/paper ratio of the West, excluding the U.S., was just under 22 per cent, while the ratio for the U.S. was roughly 14 per cent. In other words, Dr Busschau said, the U.S. was now probably less liquid than the rest of the West. In order to restore the liquidity of the West (as measured by the relation of gold to paper on the level of 1937), the gold price would need to be enhanced by more than 2½ times the present price—that is, in the order of \$90 an ounce or a sterling price of about \$30 an ounce. Then South Africa would indeed have struck the jackpot at the foot of the rainbow!

FREE WORLD ANNUAL GOLD SUPPLY AND DISTRIBUTION

(U.S. \$ Millions)	1946	1950	1951	1954	1955
Output	755	865	840	915	965
Sales by U.S.S.R.	45	—	—	75	75
TOTAL SUPPLY	800	865	840	990	1,040
DISTRIBUTION					
Official Reserves	350	430	140	640	630
Industrial usage	280	180	140	190	210
Private holdings	170	255	560	160	200

Source: *Bank for International Settlements*

(4) COMMONWEALTH INTERTRADE IN TERMS OF TRUE VALUES

BY THORBURN MUIRHEAD

No apology is offered for the passionate conviction that a closely integrated British Commonwealth, in economic entente with U.S.A., is the only practical measure to persuade a war-crazed world to peace.

Clearly, the only realistic formula successfully to achieve Commonwealth unity and entente with U.S.A. must be economic. For the reactions and activities of mankind are regrettably governed mainly by their material welfare and security. No sentimentalist formulae, however spiritually meritorious, can hope for success while Man has feet of clay.

The American economic weather may be veering to cloudy rather than stormy. Indeed, much may depend on the extent to which U.S.A. can lean on and enlist the support of the British Commonwealth with its impregnable sterling area and vast resources. And the degree of such American-British Commonwealth economic co-operation may well govern the ability of the Western powers to weather any recessions American and/or British.

From *The New Horizon*, July 1956

(3) The result of that marriage of Liberal concepts would produce in each Commonwealth country:

- (a) Economic strength.
- (b) Adequate financial returns for the private-enterprise co-operating Banks and commercial administrators in America and the Commonwealth countries.
- (c) Wide outlets for British-American administrative and operating staff.
- (d) Rich markets for British-American industrial products and for Commonwealth surplus products in exchange for them.
- (e) Healthy prosperity for the native workers in each Commonwealth country, engendering hostility to foreign disruptive propaganda.

Third Rome'

People tend to associate Communism purely with Russia. Whereas, it is a new religion of materialism. And it is spreading like an evil virus. Its moth-and-candle adherents are far more fanatic than those of the spiritual religions. Communism merely sprang from Russia, and has expanded throughout Europe and Asia. It is designed also to spread through Africa, until Russia's declared geo-political objective has been achieved, and an Iron Curtain falls between the two worlds. In that event, Britain would be geographically submerged in the flood.

And so, a measure of foresight and preparation to deal with that possibility and the resultant world situation and international trade paralysis, would seem a realist insurance by every country within the British Commonwealth, or seeking pro-

tection embrace within its economic structure. Particularly when it can boil down to an international inter-trading machinery in terms of true values, entailing no sacrifices but producing great advantages for all concerned therein.

The Main Object

A Commonwealth Intertrade Clearing system for exportable surplus products is envisaged to fulfil that function successfully both politically and financially, under any world economic conditions, smooth or turbulent. Its main object would be to co-ordinate and execute realisation of production surpluses, and times of their sale within the orbit of the British Commonwealth and any friendly European Bloc under its aegis. And without affecting existing quotas or trade agreements. All to the best advantage of the seller-country, in terms of world market prices.

Far from being a competitive force against banking interests, the Commonwealth Products Clearing would prove the reverse. Its activities being confined to industrial-finance architecture, it would obviously bring much new business to the banking interests concerned throughout the Empire. The volume of Bill discounting alone would be great. Moreover, each Regional Comptoir envisaged as an integral of the Commonwealth Clearing would be operated preferably under the umbrella of a Commonwealth Bank.

Economic Cement

Far from being a disruptive factor, calculated to militate against British-American political-economic relations, the Commonwealth Products Clearing would prove the reverse. For

its basic object would be to strengthen the economic (and therefore political) ties between the member countries of the British Commonwealth and rocket it back to strength as a democratic force. Such British strength would represent to America an equivalent saving in armament programmes and increase in her own security. Indeed, U.S.A. co-operation in such proposals could be regarded by her as an insurance premium for world peace and her own prosperity.

Such a Clearing for surplus production and Commonwealth inter-trade could play a vital part, both as a politically and economically desirable factor, and as a helpful intermediary between all the trading parties concerned, saving them time, expense and headaches. That applies to buyers and sellers in the different countries where the token of exchange of goods and services can be anything from a bale of wool to a steel-works, or even abstract things such as mineral rights.

True Values

All countries that are still free might, in the light of the continued steady deterioration in international relations, be wise to budget against a day when the only practical means of intertrade between countries on different sides of a political fence would be in terms of true values such as timber, cotton, oil, etc., which are in universal demand. And the proposed Commodity-banking technique employed by the Commonwealth Products Clearing would achieve that intertrade and in the process foster peace through strength and unity arising from economic prosperity.

These intertrade proposals spring

from the premise that military power and economic power derive from each other and have become scarcely distinguishable. And they would achieve freedom from Commonwealth domination by any wholesome monetary medium. Moreover, they have been proved in practice. For a commodity-banking and true values intertrade machinery, designed in the City, pioneered some £50 million of industrial and commodity exports (ships, steel-works, cement, chemical and other plant, factories and so on) between Britain and countries devoid of sterling wherewith to pay for them, but solvent in terms of exportable surpluses.

That basic principle was successfully employed on medium-term credit international transactions such as the Karabuk Steelworks for the Turkish Government, costing some £4 million. The architects of that transaction, co-ordinating a group of British heavy industrial firms, fought Schacht and Funk on Turkey's doorstep for that contract. Turkey paid the British heavy industrialists who supplied the steel-works, in terms of chrome, molybdenums, hides, nuts, etc. These commodities were marketed in London by an Anglo-Turkish Comptoir set up for that purpose; thereby producing sterling to meet the Turkish Bills given in payment for the British plant supplied. The Export Credits Guarantee Department guaranteed the Turkish Bills, which were met at due date from the funds produced by the Turkish products.

Commonwealth Trade

A major reason for supporting the contemplated Commonwealth Products Clearing as a compensation

intertrading machinery, is that trade between Britain and the Commonwealth countries has become highly complicated by import, export, transfer and other restrictions. And traders find difficulty in complying with all such restrictions and keeping abreast of them. It is also impossible for many firms to take advantage of assistance offered by the Chambers of Commerce and similar institutions as the function of these bodies is usually confined to assisting with information. But an efficient Commonwealth intertrade organisation such as the proposed Commonwealth Products Clearing, with a fluent knowledge of world markets, conversant with fluctuations, and with specialists covering every product embraced, would be in a position to bring about an immediate upsurge of Commonwealth inter-trade.

The Empire can be protected only by strength from within itself. As things are, its trade routes, and political arteries and even existence are threatened. And it lies wide open, vulnerable to adverse winds that normally would not be felt, or even arise, were it outwardly strong.

It is important to avoid a defeatist attitude regarding Commonwealth intertrade and Empire economic integration. For that only plays into the hands of powerful opposing interests. The aim is *not* to exclude U.S.A., Russia, or any other power from their natural markets, but to *preserve* British trade in her own Commonwealth countries and, by offering them alternative markets, to assist them to maintain their economic and political independence.

A Commonwealth Bloc

These countries would welcome

being placed in a position to combine and establish a Commonwealth Bloc of their own. The stronger the Bloc, the greater the force that it will exercise for world peace. What is termed economic re-armament must proceed hand-in-hand with military re-armament. They are complementary.

It is an illusion to suppose that international lending of gold, with its strings and penalties, provides a sound solution for fostering needy Commonwealth countries or for the serious disequilibrium of current trade accounts. The correct answer to the problem is to right the Balance of Payments—exports against imports. And the proposed Commonwealth Products Clearing would tend to do that automatically.

Short or medium term credits for projects are in themselves highly desirable in these modern times, that private industrialists or any one country should seek a permanent controlling interest in the fixed assets of another country. That is what long-term lending, by foreign interests, if indulged in too greatly, would involve. And few even among Britain's enemies would like to see U.S.A. owning half the equities of Britain or her Commonwealth. For such U.S.A. buying of fixed British assets and equities is going to lead to grave international trouble in the long run.

Independence

All the British Commonwealth countries have a burning desire for independence and prosperity with freedom from any foreign yoke, no matter how friendly. None of them wish to surrender their equities to any foreign power in payment for

help. They want help in another form: preferably family co-operation, which will enable them to keep economic independence and rise to prosperity by means of their own strong arms and natural resources. The proposed Commonwealth Products Clearing measures up to these requirements.

One of the beneficial results of the advocated commodity-banking technique would be to render redundant much bureaucratic machinery and eliminate parasitic intermediaries. Hence, powerful sectional-interest opposition is inevitable from the swarm who thrive prodigiously on loading the commodity price from producer to consumer, to the extent of rendering many of Britain's exports uncompetitive. Particularly those in the money-selling sphere who have up to the present enjoyed a stranglehold on Britain's trade. These are they who remain happily enslaved to the few tons of gold at Fort Knox. And they will fight like wildcats to resist any measure tending to undermine the power of their

gold as a lucrative trading commodity in itself.

Emulation, Not Envy

There should be no spleen or envy of U.S.A. wealth and power. Instead there should be determination by the British peoples to do as she has done. And by achieving the economic integration and development of the British Commonwealth, thereby guarantee for all its members, a secure and prosperous future.

There is therefore no commonsense reason why they should not be equally prosperous and enjoy equally high standards of living, to their U.S.A. counterparts. But they cannot achieve these things whilst remaining at sixes and sevens. Accordingly, they must be welded into a compact economic unit like U.S.A. Only thus, can the British Commonwealth pull its full weight along with America in the preservation of peace, against the totalitarian forces that seek to engulf both these unions of free peoples.

(5) COMMONWEALTH PARTNERSHIP ON THE VOLTA

THE Volta River Project would take the form of a partnership between the Gold Coast Government, the United Kingdom Government, Aluminium Limited of Canada and the British Aluminium Company. The International Bank for Reconstruction might also participate.

The Gold Coast Government have a direct interest in all parts of the scheme. It would establish a Volta River Authority which would be responsible for building the dam and power installation and co-

ordinating the Project as a whole. Through its existing Departments, the Government would arrange for the construction of the new railways and roads and for the completion of the new port at Tema. (Work was started at Tema in 1954 as the port was required whether the Project went ahead or not.)

Financing the Scheme

A provisional scheme for financing the Project was included in the British Parliament's White Paper

From The Gold Coast Today, August 15, 1956

which was published together with a statement by the Gold Coast Government in November, 1952. It was contemplated that the Gold Coast Government would be primarily responsible for financing the public works connected with the Project—the port of Tema, the railways and the roads. It would also contribute to the capital needed for the dam and power installation and have a share in the equity capital of the smelter.

The United Kingdom Government would participate by lending capital primarily for investment in the power side of the Project. The aluminium companies would be chiefly concerned with the provision of capital for the development of the smelter and the mines. They would also contribute their exceptional experience in the organisation and technique of aluminium production.

The Volta River Authority would be responsible for co-ordinating the Project as a whole, and dealing with all the problems of health and sanitation, resettlement and compensation arising from the creation of the lake. It would also be responsible for building the dam and power installation and generating about 600,000 kilowatts of continuous power and supplying it in agreed proportions to the smelter company and the Gold Coast Government.

Gold Coast Control

Effective control over the entire Project would be exercised by the Gold Coast Government. This would be done through the Volta River Authority, which would be a public body established by Gold Coast legislation with an African majority on its board. Control would also be exercised through other Departments of the Government and laws and

ordinances which regulate the operations of companies in the Gold Coast.

In presenting its conclusions that the Project can be regarded as technically sound and could be carried out successfully, the Commission says that it should be competitive in relation to other schemes, provided that (a) it was completed according to the timetable of construction; (b) a sound policy was adopted in the employment and provision of living conditions for the labour force; (c) economic stability was maintained in the Gold Coast; (d) the aluminium companies were satisfied that the internal cost of operating the smelter would be acceptable.

The Cost

The White Paper of 1952 estimated that the Project would cost approximately £100 million at the initial stage (to produce 80,000 tons of aluminium a year) and £144 million by the final stage (to produce 210,000 tons a year). The Commission's Report now estimates the cost at about £160 million at the initial stage and £230 million at the final stage. The estimates are based on prices ruling at the end of September, 1955. Interest has been calculated at five per cent.

On these figures the average cost of all power supplied at the final stage would be just under a fifth of a penny per unit. The Commission believes, says a Report of the Gold Coast Government, that power at this price would be fully competitive with that produced from other schemes of similar magnitude which have recently been completed, or those now under construction for which estimates have been published.

Several factors are listed for the increases in cost compared with those given in the original White Paper. One of them would be the building of a higher dam and the creation of a larger lake to take advantage of the extra ten per cent of power now found to be available from the river Volta at Ajena. Prices of materials and equipment have also increased during the last four years and there are also additional costs revealed by the exhaustive investigations of the Commission.

Two-thirds of the total cost is for the dam and power installation, the smelter and the mines. The arrangements for financing these items are a matter for negotiation between the parties. The other third is mainly for railways, roads and the new port of Tema and would be met entirely by the Gold Coast Government. Much of the expenditure, although necessary for the Project, would be incurred in any case and would greatly help in the general development of the country.

How Long?

It is estimated that the construction of the dam and power installations would take seven years with work going forward in continuous shifts. Thus, if work on the Project were to start in 1957, power should be available from 1964 onwards.

The railways could take approximately six years to complete and the development and construction of the smelter would require four years. Facilities at the port of Tema are expected to be available in good time to help with handling materials and plant needed for construction. The construction of the various parts of the Project would naturally be coordinated so that they were all

available by the time that power was generated.

Other Development

The Report makes reference to the next Development Plan of the Gold Coast Government which is being prepared and which takes into account the resources required for the Project. 'The Gold Coast Government', says the Report, 'has informed the Preparatory Commission that the new Plan is being arranged so that no unsatisfactory competition would arise between the requirements of manpower and materials for the Project and those needed for the Plan.'

'Furthermore, provision is being made in the Plan for absolute priority to be given to those works which form part of the scheme (e.g. railways and roads) and which would fall to the responsibility of the Gold Coast Government. The Government has given a similar undertaking that the financing of the new Plan would be so arranged that the scale of expenditure, when taken into account with that estimated for the Volta Project, should not place an undue burden on the country's financial resources nor lead to any danger of inflation.'

The Commission's investigations have shown that about ten per cent more power could now be obtained from the Project than was thought possible in the earlier inquiries. After providing for over 500,000 kilowatts of power for the aluminium companies from the installation at Ajena, there would still be ample reserves available to the Gold Coast Government for many years to come for other purposes. In addition, the Consulting Engineers reported that a further 65,000 kilowatts could be

made available on the Black Volta at Bui, about 120 miles north of Kumasi.

Human Element

On the question of manpower, the Commission believes that 'the treatment of the basic problem of human factors could exercise a vital influence on the success or failure of the Project. It was regarded as axiomatic that the Project would be undertaken in the spirit of racial harmony which already characterised the Gold Coast and that there would be no question of segregation in the organisation of working or living conditions.'

'Speedy and economic construction', says the Commission, 'must depend on the building up of stable and efficient working forces. This in turn requires constant attention to be paid to the working conditions and training of the labour forces, to their needs for family life, and to their requirements for housing, feeding and maintenance of health.'

In order to reduce the vulnerability of the scheme to heavy increases in wage costs, mechanisation has been proposed wherever possible. This has equally great advantages in reducing the amount of temporary housing and the cost of health services. As a result of this, the original estimate of manpower required for the dam and power installation has been halved and the total manpower required for the Project as a whole has been reduced from over 25,000 to about 15,000. A further advantage of keeping the labour forces to a minimum is that any possible danger of affecting adversely other essential industries in the Gold Coast—particularly cocoa production and the mines—would be greatly reduced. The Commission is satisfied that essential industries such as these

would not be prejudiced by the construction of the Project.

95 per cent African Staff

The labour forces engaged on the Project would be 95 per cent African and five per cent overseas staff. The latter would be primarily engaged for managerial and technical appointments which the Gold Coast would be unable to fill at the present time without assistance from overseas.

Special attention has been given by the Commission to the wide range of social problems which the Project would raise. Every provision would be made to safeguard the health of the labour forces, including a system of medical examination on recruitment and the setting up of a health organisation to provide a general medical service. Detailed arrangements would also be needed for feeding.

The large temporary township by the dam site has been planned with care. At full production, the new township near Kpong, where the smelter would be situated, would have a population of about 50,000 and would be the fourth largest town in the Gold Coast. Housing and public services in this new community would be of a high standard. The township would be laid out in accordance with modern practice so that the community would be grouped in a series of neighbourhoods, each with ready access to the town centre.

Family Matter

The Commission attaches great importance to a policy which would enable a substantial part of the labour force to have their families with them. This would be normal practice during the operating phase

of the Project, but in addition, the Report advocates a similar policy for the construction force employed—for the best part of seven years—on the dam and power installation. 'This policy would not only be essential for the establishment of satisfactory social conditions', says the Commission, 'but it would also be a sound policy economically.'

Problems of compensation and resettlement which would arise through the flooding of areas behind the dam were thoroughly investigated in the light of the Gold Coast Government's undertaking that no one would be made worse off as a result of creating the lake. Plans have been drawn up for the resettlement of people there and all assets in the area will be valued. The Commission has already made a provisional valuation of all land, property and resources to assess the cost of compensation. Action has been taken to prevent speculation.

Safeguarding Inhabitants

Similarly, the effects of the changed conditions which would develop on the lower reaches of the river following the building of the dam, have also been considered to ensure that the local inhabitants who now depend on the river for much of their livelihood would not suffer.

Questions of health and sanitation associated with the new lake received close attention. Organisations from many countries and individual experts like Professor George Macdonald and the late Dr Andrew Topping, of the London School of Hygiene and Tropical Medicine, have co-operated with the Commission in analysing problems and proposing methods of control. The Commission and its advisers are satisfied that the problems of health

and sanitation that are connected with the new lake could be controlled effectively; and the incidence of one particular scourge, onchocerciasis (or 'river blindness'), could be substantially reduced.

New Fishing Industry

The new lake would provide opportunity for a fishing industry with a production equal to that now obtained off the entire sea-board of the Gold Coast. At a conservative estimate, it is considered that the lake might produce 18,000 tons of fish a year. 'Of course', says the Report, 'it would take time to develop this great potential. A large number of additional fishermen would be required, new techniques would have to be introduced, and a considerable organisation for handling and marketing the catch would need to be built up. Health would need to be safeguarded as well. There can be no doubt, however, that a new and appreciable source of wealth for the people of the Gold Coast would be created.'

Farming Opportunities

There would also be an opportunity for agricultural development along the margins of the lake—some 2,000 miles in length—as well as opportunities for irrigated farming.

The economics of the Project have been subjected to most thorough analysis by the Governments and the aluminium companies as well as the Preparatory Commission. It has been recommended that the parties should take into account the possibility of an increase of 40 to 50 per cent over the 1955 estimates to meet the ultimate expenditure which might be incurred. This allowance has been recommended in view of

world-wide experience over the last ten years.

The economics of the Project would be prejudiced by inflation which was confined to the Gold Coast. However, the Commission points out that during the last decade the Gold Coast economy has been remarkably stable. Workers have shown restraint and responsibility in wage matters, and this, coupled with the Government's general economic policy, has kept prices level. Continuation of such a policy would be essential for the success of the Project.

For the Commonwealth Benefit

The Commission reports on a number of advantages which the Project could bring to the Gold Coast. The country's excessive dependence on the cocoa crop would be relieved and it would be much less vulnerable to fluctuations in cocoa yields and prices. The Project would increase the earning capacity of the Gold Coast more than any other form of investment; aluminium would earn twice as much per worker as cocoa.

The Project would bring a large-scale industry to the Gold Coast and provide it with a new export and a reliable market for it. 'Development of aluminium production continues in many parts of the world', says the

Report. 'The confidence with which producers are prepared to expand their plant is clear evidence of future expansion of demand.'

The Government would earn interest on the money it invested in the dam and power installation. The Government-owned railways and port would also earn interest on the capital invested and make a modest profit in their operation. Loans for the dam and power installation would be repaid out of the proceeds of the sale of power. The Gold Coast would ultimately own the dam and power installation free from debt. 'Although the Project would make its greatest impact on the immediate localities affected by its operations', says the Commission, 'its economic effects would extend to all parts of the country.'

In addition to these benefits, the Government would receive company tax payable by the smelter company and also minerals duty; it would receive a share of the profit of aluminium production; and the Gold Coast would have ample power available for other uses.

The United Kingdom would have the advantage of a new large-scale source of aluminium within the Commonwealth and the scheme could save the Sterling Area about 100 million dollars annually when at full production.

U.K. OIL

INLAND consumption of petroleum products in the United Kingdom rose by 8 per cent from 11,689,600 tons in the first half of 1955 to 12,639,100 tons in January-June this year. Mainly because of the continued switch to diesel engines for commercial vehicles, gasoline consumption rose by no more than 3 per cent, to 3,064,800 tons, whereas automotive gas oil showed an increase of 13 per cent, to 866,400 tons. The biggest advance—almost 21 per cent—was recorded by fuel oil, with a consumption of 3,337,500 tons in the first half of this year.

How to Solve the Farm Problem

BY PAUL DE HEVESY

SUBSIDIES paid to the farmer do three grave disservices to the consumer: they maintain unsuitable soils under cultivation; they enable inefficient farmers to remain inefficient; and they ensure excessive prices to efficient farmers cultivating suitable soils. Yet, in spite of heavy subsidies, farmers everywhere are dissatisfied and far from prosperous.

Protectionism

Tariffs and combines, by maintaining both the inefficient and the high-cost manufacturer and trader in business, raise prices and thereby lower the standard of living of the consumer. However, as long as tariffs and combines prevail, agricultural subsidies also must prevail.

In spite of all these abuses, the immediate economic prospects are decidedly hopeful; yet the continuance of the farmers' world-wide plight may ultimately result in a general depression. This disquieting outlook prompts me to submit, in all modesty, the following proposals:

(1) The farmer and the manufacturer have not only to sell but also to buy. Neither of them can be expected to sell his few products cheap in the open market and to buy his numerous requirements, both professional and personal, dear in the protected market. Agricultural subsidies and customs duties should, therefore, be gradually diminished and finally abolished. Industrial and commercial conspiracies against the consumer—such as trusts and cartels—are, thanks to the Sherman Act,

less prevalent in the United States than elsewhere. They should be broken up everywhere by means of countervailing legislation. If all these measures were taken, the prices of all goods would be brought into their proper relations and parity prices would prevail without subsidisation.

Too Serious

(2) Prices are far too serious a matter to be left to the whims of sectional interests or even of national governments. They should depend on the combined decisions of all consumers and all producers of all commodities throughout the world. Then the varying pressure of supply and demand would effect the reciprocal adjustment of all prices. Price-fixing, whether by public authority or by private decision, prevents this adjustment. The consequence is that capital resources are often misapplied.

Withdraw Surpluses

(3) Markets cannot be freed and national and international competition cannot be initiated without the prior withdrawal of redundant farm products in the main food-exporting countries. Otherwise, farm prices would collapse. By concerted international action, these unsaleable surpluses should therefore be withdrawn from the market and held everywhere as security stocks against any emergency. These stocks should not be put on sale without the consent of the Food and Agriculture Organization of the United Nations.

(4) These measures having been put into effect, competitive farming should take the place of subsidised farming, and national and international trade in farm products—and later in all other products—should be set free from State control. Prices must cease to be political issues.

State, Keep Out!

(5) The State should abstain from all commercial activities, which should be exclusively entrusted to independent merchants, whose experience and competence present a reassuring contrast to the ineptitude of public functionaries unwisely vested with mercantile powers.

(6) One of the principal functions of trade is to clear the market of redundant stocks before they become burdensome.

(7) In accordance with the law of large numbers, the average yield per acre of plants grown throughout the world shows little variation from one year to another. For, the larger the territory investigated, the smaller the yearly variation in yield: the smaller the territory investigated, the larger the yearly variation in yield.

Arbitrary Prices

If the world is regarded as one single estate, the variation in yield per acre is insignificant; for a lower yield in some parts of the world is always compensated for by a proportionately higher yield elsewhere. The world crop of such widely cultivated plants depends almost exclusively on their sown area, which, in turn, depends mainly on price. Since the prices that the farmers receive for their crops are arbitrary, the planted area, and therefore the harvested amount of single crops

throughout the world, become also arbitrary and do not correspond to world demand. It is in fact the granting of arbitrary prices that has caused the over-production in various foodstuffs during the last few years.

Universal Free Trade

(8) Hence the problem of wheat, and indeed of all major world crops, can be solved only on an international basis: in fact, only on the basis of world-wide free trade.

(9) When freedom of trade prevails, neither over-production nor under-production of single commodities is likely to occur in the world, or, if it does, to last any length of time. And, without excess or scarcity, prices are unlikely to be either too low or too high.

Emergency Measures

(10) Should, contrary to all expectation, inordinately low farm prices occur, their full impact should not be allowed to fall on the farmers alone, but should be spread over the entire economy. In such an emergency, the farmers should be prudently assisted, not by subsidies, but by moderate monetary grants, analogous to the payments made to the unemployed. Such grants to the hard-hit farmers would neither influence the prices of farm products nor violate man's inalienable right to trade freely. On the other hand, should farm prices become inordinately high, this would stimulate production, which, in turn, would result in lower prices.

Something Wrong

(11) Something must be wrong with an economic system responsible for huge unsaleable surpluses. The

fault lies in the method of marketing, which is unprincipled and disorderly. Many people are unaware that the most orderly method of marketing is free trade. Today, when the means of production and of transport have immensely improved, this is more so than ever before.

(12) Free Trade, which made the English-speaking peoples prosperous and happy, should be gradually but enthusiastically resumed. Small pal-

liatives by well-meaning but ill-informed politicians will not save the free world from sinking into an economic morass.

(13) If free trade were to be supplemented with an ever freer movement of men, capital, and knowledge, unemployment would decrease, production would increase and less potential wealth would remain unexploited throughout the world than at present.

PROFITS OF LEADING BRITISH MILLERS AND BAKERS

	1951	1952	1953	1954	1955
<i>Allied Bakeries (to April)</i>					
Total Profit, £000	3,850	4,535	5,727	5,686	6,333
Net Profit, £000	1,302	1,503	1,714	1,828	2,262
Dividends, %	30	30	30	22½ ^a	22½
<i>Hovis (to March 31st)</i>					
Total Profit, £000	561	671	597	756	901
Net Profit, £000	209	219	174	215	316
Dividends, %	25	20	20 ^b	32½ ^c	12½ ^d
<i>McDougalls Trust (to June 30th)</i>					
Total Profit, £000	430	429	596	742	962
Net Profit, £000	126	125	176	144	367
Dividends, %	10	10	12	12	15
<i>Ranks (to Aug. 31st)</i>					
Total Profit, £000	3,724	4,096	4,847	6,294	5,998
Net Profit, £000	799	883	900	1,731	2,081
Dividends, %	18	21	12½ ^c	19	20
<i>Spillers (to Jan. 31st)</i>					
Total Profit, £000	2,671	3,055	3,946	4,490	4,990
Net Profit, £000	611	717	896	1,535	1,678
Dividends, %	20	10 ^a	12½	11 ^c	12

a. On capital doubled by share bonus. b. Of which 10% was on capital increased by one-for-9 share bonus. c. On capital increased by 10% share bonus. d. On capital trebled by share bonus. e. On capital increased by 50% share bonus.

From *Labour Research*, October 1956

Deceitful Prosperity

Extracts from an address given by Mr H. J. Kelliher, Managing Director of Dominion Breweries Limited of New Zealand, on the occasion of the 26th Annual General Meeting of the Company, 4th July, 1956.

For the past twenty years I have consistently emphasised that there is no political or economic power more charged with the general or social interests than the power to increase or decrease the supply of money. If the Government delegates this power to a particular group or class of the community, as it has done in large part in New Zealand, it divests itself of the most vital part of its effective sovereignty.

It is imperative, therefore, that the people should now focus their attention on the real peril in our midst—the evil effects of the private creation and issue of money, the arch-destroyer of economic stability.

Stable Money

This is the impediment which has prevented Governments from carrying out their solemn promises to provide the people with money stable in purchasing power. Bureaucratic controls are no substitute for sound money; they only serve to hoodwink the general public and are the greatest menace to economic freedom that could possibly be foisted on an unsuspecting people. Economic controls never have and never will enable the people to enjoy the abundant life which is their God-given heritage.

Controls foster the inflationary trend brought about by bank creation of money. A definite instance of this is evident in our own Company. Because the Capital Issues Commit-

tee denies to shareholders the right to invest their own money in their own enterprise, we are forced to extend our bank overdraft.

Prosperity is being boosted today as an excuse for inflation. Prosperity financed by debasement of the currency can only be described as deceitful prosperity—deceitful because it has no permanent basis, but is built upon the shifting sands of created money, and buttressed by controls.

Inflation a Tax

It cannot be denied that inflation is a tax—the cruellest and most wanton of all taxes—under which all creditors and all those on fixed incomes are systematically defrauded. Nor can it be denied that it is brought about in most cases by deliberate monetary or credit inflation—deliberate to the extent that the banks persist in continuing, and the monetary authorities persist in sanctioning, a monetary system under which there is no alternative to excessive creation of money, other than destruction of money by means of the 'Credit Squeeze'. Moreover, everything that is done to curb inflation is done under the pious pretence that it is visited on the country by malevolent outside forces which the politicians and monetary managers profess to be incessantly combatting. It is clarion clear that inflation is man-made in this country.

Demand for Reform

Now that the real facts of money creation have been officially and unequivocally admitted, it is to be hoped that those well-meaning individuals who for years have ridiculed the mere suggestion that Trading Banks are creators of money will now concentrate their attention on the *major issues*, and use their efforts in advocating a sound and adequate reform of a system which on its own showing is so inimical not only to free enterprise, but also to the general welfare of the community.

Two Cycles

Within the past two decades there have been two cycles of public demand for reform of the monetary system, of political promises to provide sound money, and of failure to implement those promises. Once again, there is considerable unrest and dissatisfaction throughout the country, largely stemming from restrictive controls imposed in a futile attempt to restrain ever-increasing costs of living and costs of production, both of which are direct consequences of an unsound financial system. Will the people of New Zealand again be told that the necessary reforms will be implemented, and will they again be disillusioned shortly after the new Government is returned into office at the end of next year?

Irrespective of what Government has been in office, it cannot be denied that progressively, insidiously and relentlessly throughout the past two decades, there has developed a strongly entrenched bureaucracy concerned only with the extension of dictatorial powers, and building its own empire. Politicians come and go, Governments change, but the administration grows in strength

and influence, reinforced by the authority of Statutes and Regulations brought down by the Government of the day, at the inspiration of departmental administrators.

Who Governs New Zealand?

In New Zealand today, as in many other countries, the stage has been reached where it can be fairly asked whether our elected Parliamentary representatives really govern, or whether the administration plays the dominant role. New Zealand has led the world in so many things—especially in progressive social legislation and in franchise legislation. Every adult citizen of New Zealand is entitled to exercise a vote for the purpose of electing the Member of Parliament whom he or she prefers, whom he or she expects will fulfil election promises and pledges. There is no doubt, however, that in the all-important sphere of monetary policy the will of the electors has been thwarted—instead of sound money as promised—we have had continuous inflation and debasement of the purchasing power of our money.

Ways and means must be found to limit the powers of bureaucracy, to restore decision-making to our elected Parliamentary representatives. Only then will it be possible for any Government to honour its election pledges, and with the greatest of emphasis and goodwill, I say that if the failure of the present administration to implement its practical and progressive monetary policy of 1949 is being thwarted by the bureaucracy, and I believe such to be the case, then departmental power and authority must be subordinated to democratic principles.

Now that the Royal Commission has found that Trading Banks create

the money they lend, and that in doing so they expand the entire money supply—that they do not lend existing money or deposits, and that they also create the money with which to buy and acquire securities, properties or buildings—it will not be difficult for the people to see that therein lies the root cause of the financial and economic canker that is so insidiously destroying our freedom and our competitive enterprise system.

The Remedy

The remedy lies in restoring to the State, or a State authority, the sole right of issue—that is, the original issue—of all new money, and the obligation for maintaining the currency stable in purchasing power, a course of action which was implicit in the present Government's 1949 monetary policy. It was recom-

mended also by many independent witnesses, before the Royal Commission, including Mr Colin Clark, the eminent economist, in my own submissions, and by the Federation of Labour and the Social Credit Party. It is evident, therefore, that all we New Zealanders want this great reform of reforms. Why are we denied it?

Democracy's greatest need today is a monetary system under which neither booms nor slumps will recur, and inflation will not be allowed to steal the earnings and savings of the people. It is the sovereign duty of every Government to accept responsibility for the issuance of money and regulation of its value—ensuring at all times an adequate but not excessive money supply. Thus the purchasing power of the people's earnings and savings will be safeguarded.

A Piece on Parking

BY PROFESSOR GILBERT WALKER

THE common law secures to the ordinary man or woman, on his or her lawful occasions, the right to pass over land lying along the Queen's highway. The road, as we know it, besides being put to this historical purpose now serves also as a warehouse for cars not being garaged or parked elsewhere. The Ministry of Transport, the County and County Borough Councils and lesser authorities, succeeding to the jurisdiction of the highway parishes, Justices of the Peace and the turnpike trusts, have expended a great deal of money on paving and widening the old roads and in building entirely new roads, particularly in urban districts. These expensive

A Special Privilege

In the side streets of the town itself,

From An Address to the British Association Sheffield Meeting, August 8, 1956

however, there are more people wanting to leave their cars than there is space to park. To buy land, to widen the street to provide both for parking and for traffic is impossibly expensive. If parking is not to be prohibited in these areas, then means must be found to allocate the available space. Room is distributed now by the arbitrary practice of allowing the first comer to park after space has been cleared. Only the few in any case can park close at hand. Other must go farther afield. The opportunity to park is a special privilege which might properly be limited to those few who are prepared to pay.

To Pay the Price

A price put on the occupation of space by parked cars wherever the obstruction could be tolerated would, of course, clear the streets of all but those to whom the privilege of parking was worth the price. Official policy in Great Britain is directed towards the provision, by private enterprise, of space off the streets sufficient to accommodate the cars wanting to be left in central areas. The price to be asked for the right to park in the side streets of a town should thus exceed the cost of providing space off those streets by an amount reckoned as equivalent to the greater convenience of leaving the car at the curb compared with the trouble of finding a garage or off-street parking lot. Demand at any particular time and place could readily be adjusted to the space available by varying the price and numbers wanting to park could be kept within any bounds which had been determined by fixing upon a price sufficiently high. Anybody unwilling to pay so much could remove his car to the more distant residential streets or better still leave

it at home and travel into town by public transport. This has to be provided in any case.

Cost of Summons

Opponents of the principle of charging for the privilege of leaving a car on the public highway might care to reflect that the motorist wanting to park does know how much the privilege is going to cost him should he be so unfortunate as to attract a summons. The uncertainty could be avoided by the placing of a known price on the occupation of space for a specified time. One who pays for a privilege can be allowed to exercise his rights during the period of his franchise. A part of the present cost of parking (to the community) is undoubtedly the expense of prosecution. It might thus help if constables, on detecting the perpetrator of an alleged obstruction, were empowered to collect on the spot a sum for which the summons (the ticket) could be furnished as a receipt. The amount could be forfeited as bail should the defendant not respond to the summons, returned if the bench were satisfied that no obstruction had been caused nor other offence committed, or impounded if judgment should go against the motorist. The legal purist raised on the common law might not be satisfied, but the motor owner, wanting in this year of grace to leave his (or her!) car temporarily by the curb, might be glad to know just how much the privilege was going to cost.*

* Road Traffic Bill, Clauses 15 to 20: Working Party on Car Parking in the Inner Area of London: *Report*, 1953; Day and Turvey, *Parking Problem in Central London: Journal of the Institute of Transport*, July 1954; and on the rough justice dispensed in some States of the Union, D. W. Brogan, *Manchester Guardian*, May 18, 1956.

Why shouldn't we be like the Americans?

By MORLEY CALLAGHAN

THE proposal to build a trans-Canada pipeline for natural gas has raised some nice questions for those who have been flying the anti-American kite. Since every Canadian would like to see a pipeline built by Canadians and controlled by Canadian capital, the time seemed to be opportune to call attention to the fact that roughly fifty per cent of the investment in manufacturing in this country and fifty per cent of the mining investment was controlled by Americans. The time seemed to be just right for a little flag-waving—not the Canadian flag, since there isn't one—and for a stout-hearted defence of the border.

Fact Facing

Then almost overnight, the war cries began to fade to a whisper. Why? The facts! The kite flyers were suddenly confronted by the facts. Every province in Canada has done all in its power to encourage American investment in mining and manufacturing. From now on, then, was this kind of investment to be discouraged? The answer was obviously a simple one: not on your life. Times have been too good. Business has been booming. If American plants could be induced to locate in the provinces, well, the more the merrier. And when the boys get together in the back room to whittle out the planks for a platform in a national election and one of them suggests a plank advocating the curtailment of American investment, he will be promptly laughed out of court.

The danger is, of course, that these men, while accepting all the

fruits of American investment, out of sheer frustration, will do all in their power to create an anti-American atmosphere. This in the long run may do what their own common sense tells them ought not to be done—discourage any further American investment.

Anti-American Minority

In this country there has always been a small but highly articulate minority who have busily sniped away at the United States. But this minority could never be called nationalist in aspiration; in fact, it is this minority that has fought every national aspiration in this country. Therefore, it seems passing strange to me that a true national spirit can be expected to flower in a soil cultivated by this minority. It is bound to have a bogus quality, and in fact I think it is alien to the temper of ninety per cent of the people of Canada.

In the world right now there is a lot of anti-Americanism and a lot of it is understandable, for there have been tremendous displacements in the seats of power. I think I understand some of the anti-Americanism rampant in London; the *New Statesman* and *Nation* snipes away busily and bitterly at everything American. But we in Canada cannot possibly share those twisted and bitter feelings or have that peculiar kind of malice, for we haven't lost our place in the sun; to the contrary, we are just coming into it. For us to take over these twisted resentments surely represents a psychopathic kind of colonialism. Yet it can't help coming our way.

From *Maclean's Magazine*

A European Privilege

It comes sometimes in the enchanting disguise of a preachment urging us to be different from the vulgar Americans. Only the other day J. B. Priestley went across the country, urging Canadians to be 'different'. Now it might be contended that Mr Priestley, coming into a part of North America called Canada, from a part called the United States, would have got some aesthetic satisfaction in finding the natives as different as the Fiji Islanders are from the inhabitants of New York City. But there is more to it than that, for Mr Priestley, appearing on the television programme *Tabloid*, uses the words, 'the source of the infection', when alluding to the United States.

It is the privilege of any European

to scold us for being so American in our way of living, but when he is a well-known writer and he urges us to be different, he is either a wild romantic as far as cultural patterns are concerned—as Mr Priestley well may be—or he is inviting young Canadian nationalists to be as phony as three-dollar bills. What is involved here is all that shapes a culture—the economic forces, all the methods of production and distribution, the way people dress and eat, the songs they sing, the games they play and above all the language. When you try to resist these forces by sheer acts of will you can be 'different' all right. Young Canadians, for example, could start wearing togas and sandals. But nothing truly indigenous to the soil can come out of it. Cultures don't grow in this style anyway; they grow like cabbages.

\$29,600 Million of Foreign-owned Assets in U.S.A.

FOREIGN-OWNED assets in the United States reached a record value of \$29,600 million at the end of 1955; the Department of Commerce has announced.

These assets consist of \$17,000 million in liquid dollar assets and \$12,600 million in long-term investments.

Western Europeans held \$7,200 million of dollar assets at the end of 1955, an increase of \$700 million from 1954.

Sizable increases were also reported for investors from Latin America, especially Mexico and Venezuela, and for Japan.

The long-term foreign investments increased, from 1954 to 1955, by

U.S. Information Service

million of the direct investments at the end of 1955 and Canada accounted for \$1,400 million. The Commerce Department also said that earnings by nationals of

other countries in 1955 on their assets in the United States amounted to \$640 million, of which about \$430 million was earned by Western Europeans.

Futures Markets for Grain

BY A. A. HOOKER

The working of the futures market for grain and its place in international trade are outlined in this article, by Mr A. A. Hooker. Mr Hooker is a director of Hooker, Hampson and Co. Ltd, one of the leading firms of brokers specialising in futures.

THESE are, in the main, only two methods of marketing commodities and the difference between these two is fundamental.

The first method, which has achieved considerable popularity with producers throughout the world, is to leave the whole business to the State sponsored organisations, and the second method is to employ private enterprise and trade organisations. Unfortunately, opinions on the efficiency of these two methods are expressed with great vehemence by people who have very little knowledge of either and are quite unqualified to assess the respective advantages to the community as a whole.

To leave the business to the State is obviously the less troublesome choice, but experience in many spheres is gradually showing that the State method is rarely the more economical or the more efficient of the two, and, in consequence, many State enterprises are being subject to closer scrutiny.

In the present condition of political insecurity and balance of payments difficulties, it is generally recognised that countries which are, on balance, net importers of any

important commodity such as grain are only exercising some uneconomic home production; but this political necessity can be implemented by means of a producer-subsidy, as in the U.K., and does not necessitate any State interference with the actual marketing.

Functions of the Market

To appreciate fully the problem of international distribution of grain, one must try to visualise the world picture of producers and consumers. In some part of the world, grain is being harvested every day of the year, and similarly grain is being sown in another part.

The first requirement of an efficient international marketing system should be to provide incentives which will cause the correct amount of grain to be produced, i.e., sufficient to ensure a continuous supply to the consumer all the year round, but not more. This implies that carry-over stocks of grain should be maintained, so far as possible, at levels consistent with economic needs, and not influenced by political expediency. This first requirement has been so bedevilled by State interference

From Agricultural Merchant

that far too much grain has been grown for several years, with the result that a new problem of surpluses has been created, and the disposal of surplus grain must overshadow world markets for some time to come.

This situation would not have arisen if international marketing had been in the hands of private enterprise. The futures markets of the world would have pointed a finger at this danger in time to avert it. The two greatest gluts in modern history, 1929 and the present day, have been caused by State interference with the normal functions of the market. State organisations must rely on statistics of accomplished facts, whereas private enterprise is prepared to look ahead and trade on probabilities, and it is here that we encounter that much maligned person, the speculator.

Speculation

Speculation is inherent in our civilisation. It is inconceivable that values could remain static and this is particularly true of commodities, the production of which is subject to the vagaries of nature. It therefore follows that speculation cannot be eliminated, it can only be transferred. There are unnecessary forms of speculation, but speculation in commodity values is not artificially created. It is inevitable. This risk of changing values has to be carried by someone, and whoever carries it is performing a service to the community. It can be carried by the State, that is by you and me. It can be carried by distributors, i.e., the merchants, exporters and importers, or it can be carried by the market. The market does not only consist of speculators; in fact, its most important constituents are traders with

opposite risk-interests who transfer those risk-interests from one to the other. The ideal medium for this transfer of risk-interests is the Futures Market.

The Futures Market

A futures market is a barometer which indicates the price of a commodity at various points in time. Many different interests take a hand in anticipating supply and demand and their concerted opinion is expressed in the price of futures.

Producers and consumers each have their own special problems, and, in the case of agricultural products especially, they are not generally prepared to sell and buy at the same time. The farmer may want to sell his crops as soon as they are harvested, but the consumer wants to buy evenly all the year round. Through the medium of a futures market, this is made possible, thus relieving both producer and consumer from the often unwelcome risk of price changes which they would incur by carrying stocks.

Hedging

There are also many trade interests which are anxious to avoid speculation as far as possible. It is their business to distribute grain from point to point as may be required by the community, but these operations take time, and grain cannot be carried through time without incurring a risk of price change, unless the operator uses a 'hedge' to reduce that risk. The futures market provides the medium for hedging grain, or, in other words, it provides a medium for insurance against that risk.

It is normal practice for a trader to protect his stock against physical

The functions of a future market were aptly summarised by the International Chamber of Commerce at their 6th Congress in Washington in 1931. The second paragraph of the relevant resolution reads as follows:

'The Congress recognises the fundamental services performed by futures markets in the organised distribution of certain agricultural and industrial products, namely in correlating the world demand and supply; in making a world price and keeping it uniform; in providing machinery for continuous trading by enabling a suitable price to be quoted for the commodity at any time; in minimising and smoothing out price fluctuations; in discounting the impact on the market of forecasted supply and demand and in spreading over a long period the burden of distribution of a short period agricultural harvest; in providing security which justifies the grant of liberal credit facilities by bankers; in making available at all stages of production, distribution and manufacture, a valuable safeguard in the shape of insurance against fluctuations.'

The Futures Contract

It is important not to confuse trading in actual grain for future delivery with trading in 'futures'. Both contracts deal in the future, but they are governed by an entirely different set of rules. Although physical delivery of grain against a futures contract is expressly provided for, the contract is more often used as a promise to buy or sell a unit of standard grain in a specified future position; a promise which can be redeemed by reselling or rebuying the same unit for the same position.

The futures contract is a margined contract, which means that all opera-

risks (such as fire, etc.), by taking out an insurance policy. But, unless he uses futures, he cannot protect himself against the risk of price changes. All risks in a business must be reckoned as part of the costs of that business, and it follows, therefore, that any service, such as a futures market, which enables a trader to reduce or eliminate risk, must automatically permit business to be done on a smaller margin of profit. By means of a futures contract a risk is passed on to the market in the same manner as other risks are passed on to underwriters at Lloyd's.

Costs in Distribution

We can now see how futures markets assist in reducing certain costs in distribution. They can be summarised as follows:

- (a) The cost of carrying through time.
- (b) The risk of loss caused by changing values.
- (c) The additional costs which are incurred when grain is uneconomically directed either in space or time.

Under State trading these costs are inevitably high, but under private enterprise, with the help of its market machinery, they are reduced to a minimum. The futures markets help in the reduction of these costs in two ways, namely:

- (a) by indicating the anticipated future price, they provide an incentive either to increase or decrease future production and to conserve or dispose of spot supplies, thereby equating supply to demand;
- (b) by providing the trade with a means of insurance against changes in the value of a commodity during the process of distribution.

tors must put up an original margin in cash and maintain their market position by paying further margins if their open position shows a loss. This enables the market authority or clearing house to guarantee the payment of all profits. The paying of margins is not always popular, but a little thought will soon make it quite obvious that a futures contract must be entirely free from any *dél credere* risk. It would be no good using a futures market to insure against a fall in prices and then finding that there was some doubt as to whether you would be paid your profit.

How it's Done

All business is done openly on a 'pit' or 'ring' and immediately recorded on a board by an official of the market authority and thence broadcast by brokers and grade services for general information. Membership is strictly controlled under different categories, and minimum rates of brokerage are fixed for each category, with a slightly higher rate for non-members. All contracts are registered with a Clearing House and all balancing contracts, i.e., purchases and sales which match in every detail except price, can be connected in the Clearing House and settled for cash without waiting for the maturity of the contract.

The organisation of a futures market enables contracts to be made openly, securely, and with the utmost rapidity. Its technical efficiency is an example which stimulates efficiency in the services which surround it. It may surprise some readers to know that an order given to a broker in London for execution on a Chicago futures market takes, on an average, seven minutes to complete. That includes telephoning

the cable company, cabling, execution on the market, cable advice of execution and telephoning the advice to the London broker. News services are also stimulated to extra effort because the value of 'up to the minute news' acquires a special importance to an operator in futures. The whole atmosphere of an active futures market is alive and tense. There is no comparable system in the commercial world which can accomplish business as expeditiously.

Grain Futures Markets

The earliest market of importance was established in Chicago in 1871. The U.S.A. now has grain futures markets in Kansas City, Minneapolis and Duluth as well as Chicago. The Liverpool wheat futures market started in 1883 and the Winnipeg market in 1904. Before the Second World War Chicago, Winnipeg and Liverpool were the three largest markets, but there were also markets in Rosario, Buenos Aires, Rotterdam and London. The London markets were for Manitoba wheat and Argentine maize.

All futures market were closed during the later war years and the process of re-establishing them has been difficult in conditions which are overshadowed by so many government selling monopolies.

The U.S.A. has re-started all its markets, although many of them reflect domestic prices rather than international prices, but the U.S.A. has always been ahead of the rest of the world in futures trading. It has established futures markets for more than thirty commodities, and in grain it covers wheat, corn, rye, oats and flax.

Canadian grain is entirely in the hands of the government-sponsored Grain Board. This board is respon-

sible for the marketing of all grain coming off the farms and directs the farmer as to what, when and where he may deliver. The wheat futures market has not been allowed to re-open, but futures trading is allowed in barley, oats, rye and flax.

The wheat futures market in Liverpool was restarted on 1st December, 1953, but trading has been difficult, as the two grades of imported wheat in greatest demand, Manitoba and Australian, are now bought on a 'price to be fixed' basis which greatly reduces the need for hedging, the market risk being carried by the exporting government. The ultimate fixing, however, has to be made at the price dictated by the seller, which indicates the complete absence of flexibility in the system. The Liverpool contract has just been redrafted to bring it up to date with modern market practice, but the basis is still 'ex store'.

The London Market

In London, it was decided not to restart the market in Manitoba wheat owing to the absence of a wheat market in Winnipeg. Instead, markets were started in maize and barley in January, 1954. In the early stages maize promised to be the better market, but, during the last year, interest has very definitely switched to the barley market, which is now the largest grain futures market in Europe. Interest is surprisingly widespread. In addition to U.K. shippers, merchants and con-

sumers, orders are received from Iranian shippers, continental merchants and speculators, and we have even had orders from English farmers. The contract is for imported feed barley and has, in recent months, been running on Canadian No. 2 Feed, although Iranian, Danubian, Plate and Australian are all tenderable at various differentials.

There are two ways in which this market could be used by English farmers. It could be sold as a hedge against stocks of barley on the farm, or it could be bought when a farmer sells his crop for cash, although his market judgment tells him to hold for a rise. There are, however, two warnings which should be noted. The market for imported barley does not always fluctuate in line with home-grown, and secondly, when futures markets are used for hedging, the operator cannot expect to make a profit on both legs, e.g., his own barley and his hedge sale. If he has sold futures to protect himself against a fall in the market and the market goes up, he must be prepared to lose on his hedge the equivalent of the gain he is making on his own barley. It must always be remembered that a futures market is designed primarily to limit losses, not to make profits.

The knowledge of futures trading is not widespread as yet, and no form of business has received more informed criticism. For this, the trade must accept some responsibility owing to its neglect of public relations services.

The World Problem

BY HENRY DRUMMOND-WOLFF

Two diametrically opposed systems of international co-operation compete for universal adoption and their impact on mass-psychology can readily be appraised.

The first prevents trade discrimination and reciprocity among nations, increases international debt and promotes financial discrimination and monetary control of a restrictive world economy. It imposes Liberal economic policies which involve interference in the internal affairs and the destruction of the economic and social systems of every country. It thus sets up centrifugal forces which it seeks to overcome by political federation.

Firm Foundations

The second builds on the firm foundations of human needs and aspirations, reduces international debt and expands national, regional and world economies in harmony with the natural evolution of individuals, nations and groups. It involves the co-operative exercise of sovereignty by which the internal cohesion of nations is strengthened and their external integration achieved by the exchange of complementary advantages through discrimination and reciprocity.

The world problem, recognised by the Right and by the Left, is that of the organisation of production and trade and their balanced distribution in accordance with the needs and capacities of peoples and territories. The problem can be solved only by the tariff regulation of free enterprise or by the elimination of free

enterprise and the establishment of controlled economy. Organisation by the tariff regulation of free enterprise will increase national efficiency and reduce or eliminate the need for controlled economy. No government will attain legitimate objectives by coercion when these can be attained by voluntary co-operation.

Federalist Imperium

The United States has acquired control of the Free World, which, at a critical moment, it may seek to consolidate by federation. It disintegrates the British Commonwealth and engages in Dollar imperialism which imposes on sovereign nations the very colonial or satellite status that is currently condemned by propaganda. What the United States economy has been unable to achieve for the less privileged sections of its own population is to be achieved by the exploitation of foreign countries. The United States continues to uphold the rule of non-discrimination but supplements free enterprise by various forms of state trading and financing to satisfy the basic need for discrimination and reciprocity. Special interests may, indeed, favour controlled economy if it is to hold nationalised assets in reserve for their eventual acquisition. The time may be approaching when state-owned enterprises incorporated by share capital, may at least in part become available to Dollar investors.

The Soviet View

The Soviet Union seeks equality of

From The Rule of Reciprocity, September 1956

entering into free and independent co-operation for their own development and defence. They go forward to absorb the middle powers, to extend the frontiers of their respective blocs and to impose their respective systems universally. The British Commonwealth defends policies that are hostile to its survival and that widen the conflict to the brink of war.

Totalitarian Trend

The middle powers may accept the rule of non-discrimination accompanied by American aid and investment though they will be compelled to discriminate by various forms of controlled economy. The partially controlled economy of Socialism in the Free World will be progressively transformed into the totally controlled economy of the Communist bloc. The establishment of one-party government possessing the political authority with which to impose economic controls and maintain continuity of policy will become a necessity. Free elections may restore free multi-party government but this will be maintained only if measures are taken simultaneously to remove the need for controlled economy.

It is claimed that the rule of non-discrimination provides equality of opportunity, access and treatment among the individuals, corporations and nations of the world. But there is no equality of stature or intelligence among individuals, no equality of efficiency or capacity among corporations and no equality of consuming, producing, purchasing and investing power among nations. The most favoured nation clause provides the essential equality of legal status for individuals, corporations and nations, but equality of eco-

opportunity and access to trade and raw materials and for this reason upholds the rule of non-discrimination and even the international instruments or agencies through which it is applied. It relies for equality of treatment on the actual exchange of trade through controlled economy. The permanence of capitalism as such is recognised but changes in its application and in the ownership of property are actively pursued. The Soviet Union aims, therefore, at the progressive incorporation of sovereign nations and their dependencies into a universal system of controlled economy and one-party government. It aims further at the ultimate sub-division of the world into autonomous units in disregard of national sovereignties but in favour of the widest geographical distribution of production and trade.

Gold Blocs

The currencies of the Soviet Union and its satellites are partially backed by gold and Dollar reserves. The Soviet Union's gold production approaches that of the Union of South Africa and its monetary reserves are among the largest in the world. The Soviet Union expands its national and regional economies by its own methods of control and is now able to supply technicians and to make gold and Dollar loans to foreign nations. It is now able to establish a gold standard, to develop a multilateral trade and payment system within its own area of control and to envisage co-operation with the City of London and New York.

The Soviet Union and the United States rely upon the rule of non-discrimination to prevent the middle powers and their colonies from

nomic and financial treatment can be provided only on terms and by methods that are appropriate to each case and to which the most favoured nation principle, therefore, cannot apply.

Distress of Nations

Individuals, corporations and nations should be free to sell their goods and services and to receive payment in stable currency freely exchangeable into the complementary goods and services that they require. Producers should be enabled to become investors. Trade and financial discrimination and reciprocity should be co-ordinated to increase the consuming, producing, purchasing and investing power of every nation. Nations, however, are compelled to depress their general price level in order to undersell their competitors, to pursue favourable balances and thus to force each other into debt that cannot be repaid. They are exposed to deflationary and inflationary pressures applied for monetary, speculative and political purposes which can end only in recession and collapse.

The rule of non-discrimination compels nations to seek a favourable balance of payments in order to expand their gold and foreign exchange reserves and to sustain a supranational system of lending and investment. Nations seek to increase their exports and at the same time restrict their imports by sales resistance, protective tariffs, quotas and exchange control. The imports of one nation, however, are the exports of another so that world trade is correspondingly curtailed. The use of tariff discrimination and reciprocity to increase imports and to establish an approximate balance of payments

is prohibited and undesirable monetary reforms are encouraged.

Sovereignty and Discrimination

Trade discrimination can be exercised and reciprocity exchanged only among sovereign nations or autonomous States. Pressure for the surrender of sovereignty through multinational federation is, therefore, applied in order to defeat trade discrimination and to favour financial discrimination and monetary control of world economy. In the present phase it is argued that multinational federation alone will prevent the subjugation one by one of free countries by the Communist bloc, that the elimination of national governments alone will prevent war and that the removal of national frontiers alone will solve the problem of the balance of payments.

World Government

Multinational federation and world government would enable the most powerful unit to control and dominate the rest. Germany would dominate a European federation and the United States would dominate a federation of the Atlantic and Pacific communities. The Soviet Union and the United States are in competition for the control of the United Nations. Soviet policies might be delayed by multinational federation, but Socialist and Communist infiltration would be stimulated and the internal need for controlled economy and one-party government would be developed. The converging movements of the Soviet Union and the United States eliminate conservative elements, destroy nationhood which is the product of democracy and set up a new world order under the new

ownership and management of a supranational society.

People's Democracy

The nations of the Eastern bloc claim that theirs are the only true democracies since they allege that their controlled economies and one-party governments are unalterably committed to the satisfaction of popular interests. They claim further that the free economies and multi-party governments of the Western bloc are rigged by special interests to their exclusive advantage and to the lasting detriment of the popular interest. Free economies and multi-party governments will defeat systems of controlled economy and one-party government provided that they are continuously inspired by the public interest and that the needs of peoples and territories are satisfied through a balanced, geographical distribution of production and trade.

Preference

Protective and preferential tariffs flexibly applied would maintain equilibrium in the balance of payments and establish currency stability with full convertibility. They would insulate national and regional economies from external shock and pressure and level out the recurring cycle of boom and depression. They would enable nations and groups of nations to develop their lending and investing power and would provide essential safeguards for international loans, credits and investment. They would consolidate free enterprise and freedom and further the establishment of true property-owning democracies.

Socialism and Communism, the new economic challenge of the Soviet Union and China, new competition by Germany and Japan and the unilateral expansion of the United States can be met only by the intensive development of the British Commonwealth from within and the extension of the Commonwealth method—the co-operative exercise of sovereignty through discrimination and reciprocity—outwards to foreign nations.

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The policy of restriction and monopoly imposed by the rule of non-discrimination prevents the balanced distribution of production and trade and has been described by the Chancellor of the Exchequer in the following terms:

"To remove excess of home demand which has shown itself in the constant upward pressure of prices and therefore in a balance of payments deficit with consequential losses on the reserves, and secondly to bring about some shift of resources from consumption to support a high level of investments and to increase exports."

Expansion

A policy of expansion demands that national economies and domestic markets should have common political and economic boundaries clearly defined by protective tariffs. Within

German Leaders Call for United Europe

(1) EUROPE MUST ALLY HER POWERS

BY DR KONRAD ADENAUER, Federal Chancellor

It is high time for the nations of Europe to get to act in common. We must find a way to achieve a genuine European policy, as otherwise we would completely lose our position as an important group of nations in the world with regard to the new political groups that have developed. When we ask ourselves what the future of the European countries and of Europe as a whole will be, we shall only get a satisfactory answer if we do no longer look into the past but let our actions be guided by the things to come.

Flexible Unity

We must not let this disease of our modern times, which so often has taken the incentive out of a great idea of honest strife and which is called perfectionism, take the life out of European integration before it is even born. The kind of European integration I have in mind must be flexible. It must not hinder the nations in their actions but should help them to develop their own just way of life on the basis of a common development. I do not believe that institutions of an international character would be a panacea. It will be possible to find a suitable basis which will not deter the nations from joining. It goes without saying that the formation of such a federation should not depend on the will or alleged interest of an individual member. I cannot see why we should not find a compromise which will suit us all.

From Deutsche Korrespondenz, September 29, 1956

Not Enough

The others in the world act, so we Europeans must decide quickly what we want to do if we do not wish to be overrun by coming events. Nobody will disagree when I say that our political and economic supremacy at the beginning of this century has gone since long. At the moment, the political and economic influence of Europe in the world is very weak. The policy of European integration after the last war had the object of eliminating the danger of any future war amongst European nations. Thus, all actions taken to achieve an integration were limited to the European geography as a matter of course. We got together to form the European Council, the Coal and Steel Community, and the West European Union, but it is doubtful if all this will be enough when we consider the political developments in the world.

Americans and Europe

It will be sufficient to point out the enormous political and economic power of the United States of America and the Soviet Union. When we consider what these two world powers are, it is hardly justified to speak of any European country as a power, such as we had the right to do at the beginning of our century. If now a power and a small nation, or a power and several small nations, try to make politics together, the power will automatic-

ally act as a leader and the small nation will feel dependent. There is no good in this for several reasons —this feeling of being dependent will wear the small nation out in the course of time. Europe as a whole must try to avoid this possibility.

Although I pay great respect to the tremendous achievements of the U.S.A. in preserving peace in Europe, I feel that I must warn the European nations against making mistakes. The European nations cannot in the long run develop their powers for the sake of their peoples and humanity, as well if they continue to seek their welfare and security in the patronage of the

United States of America. On the one hand, this would gradually weaken our powers; on the other hand, the U.S.A. are certainly not willing to share the problems of Europe for any length of time on a scale which we simply cannot expect of the Americans. The necessities of life of the European nations need not always conform to the American standard of life. This is one reason why we shall occasionally find different political opinions which may lead to independent political action. We certainly cannot ask the Americans to think of European interests in the first place when they are dealing with their own problems.

(2) A EUROPEAN MARSHALL PLAN

BY PROF. DR CARLO SCHMID

Deputy Speaker of the German Federal Parliament

WHAT is necessary today is a European Marshall Plan for the consolidation of the development areas into structures in a position to feed and administer themselves and to grow into modern commonwealths able to offer their populations a standard of living to which people who are prepared to work are entitled. This presupposes, however, that all European States feel solidarity with those which were yesterday colonial powers and today are under an obligation to provide the former subject areas with everything necessary to attain this goal. France, for example, will not by herself be in a position to provide the capital necessary for the preliminary equipping of North Africa.

The line of action roughly sketched here could give the European nations the strength to influence the policy of the world powers in a

favourable sense. Perhaps in such a fashion that these world powers would be prepared to put in place of the present Cold War a new world order whose pillars might be a general system of collective security coupled with massive disarmament. Then the way would also be clear for a genuine amalgamation of the European nations.

Perhaps Europe will be formed as a result of the common endeavours of the European nations to help peoples lying outside our continent. In the meantime certainly the European nations should do everything possible to take down the barriers still existing today in the spheres of economics, communications, cultural relations, and the exchange of political suggestions. And at the bottom we all know how much is necessary and possible there.

From Deutsche Korrespondenz, September 22, 1956

Digest Reviews

MARX GOSPEL

Studies in the Labour Theory of Value.
Ronald L. Meek. *Lawrence and Wishart*; 30s.

The lecturer in Political Economy at the University of Glasgow re-examines the Labour Theory of Value often associated with Karl Marx but going back to Adam Smith and Ricardo. This is a prelude to a Marxist dissertation and apologetica which the author intends to pave the way to 'co-existence' between Marxists and the rest!

ANGLICAN STUDY

The High Church Party 1688-1718.
George Every, S.S.M. *Published for the Church Historical Society, S.P.C.K.*
30s.

In an age dominated by politics, not theology, in which many educated men are illiterate, it is often forgotten that to understand the past one must understand the parties and controversies of Church as well as of State, affecting as they do the social climate and economic thinking of the times.

The author brings a freshness to his scholarship with his conclusion that it was only well after the Civil Wars that High and Low Church parties had separate existence. His account of the Non-Jurors is one of the most fascinating parts of this most valuable contribution to the history of the Anglican Establishment.

There is a number of most interesting illustrations.

EUROPEAN AIR

The Economics of European Air Transport. Stephen Wheatcroft. *Manchester University Press*; 35s.

In civil aviation as in other economic activities Europe seeks to hold her own with the Giants of East and West.

Mr Wheatcroft, whose career is summarised in Mr Peter Masfield's Foreword, is well fitted to tackle the technicalities of air line operations and he has made himself intelligible to the more general reader concerned for the future of Europe and her aviation. He holds that the present difficulties of short-haul operators are due to their services being over-extended and that the remedy lies in operations of high intensity. He looks both to competition and to more international (as distinct from supranational) coordination to bring this about.

OF PLANTATIONS

Plantation Crops: A Review of Production, Trade and Consumption relating to Sugar, Tea, Coffee, Cocoa, Spices, Tobacco and Rubber. Compiled in the Intelligence Branch of the Commonwealth Branch of the Commonwealth Economic Committee. *H.M.S.O.*; 5s.

Among much valuable if unspectacular labour the Commonwealth Economic Committee have produced this survey of plantation crops which are staple products in many overseas Realms and Territories and some of the Sterling Area's major dollar earners.

Recent discussion of the possibility of closer economic links between European and overseas Commonwealth countries lends added interest to facts here brought out, like the increasing importance to Commonwealth producers of Continental European markets.

ATLANTICITIS?

Britain in N.A.T.O.: A Political Study.
Ursula Branston. *Conservative Political Centre*; 2s.

No one is likely to proclaim 'Dulce et decorum est pro Natone mori' or to sing 'I vow to thee, my Nato . . .', and the North Atlantic Treaty Organization would be more popular if it did not claim to be something other than a military alliance of Western nations. It is inappropriate and unscrupulous to use it as a means to federation or a stepping-stone to world government.

We cannot therefore agree with Miss Ursula Branston, the Conservative Research Department's talented Foreign Affairs expert, that the Atlantic Council's 'basic problem' is to increase 'N.A.T.O.'s political scope and authority', nor with Mr Walter Elliot who in his Foreword asserts that N.A.T.O. is 'a philosophy of existence'. We hold that the indispensable Atlantic Alliance should defend, not abridge or adulterate, the sovereignty of its members. Nevertheless we commend this pamphlet as a concise statement of views which have dominated the minds of many Western statesmen and a convenient historical summary of the events which produced the North Atlantic Treaty and the elaborate and pretentious structure which surrounds the necessary headquarters staff.

AFRICA DESERTA

Africa in a Jeep. Joe Ceurvorst. *Staples*; 15s.

To attempt to cross the African Desert in a jeep, accompanied only by a girl and a dog, with no kind of weapons of defence, little or no mechanical knowledge, but an unbounded faith, sounds a hazardous and adventurous undertaking. So it

proved, and the authors provide a lively volume, full of unusual discoveries, and written with gusto.

There are a number of illustrations, and the book has been well translated by Mervyn Savill.

BACKGROUND TO ADAM SMITH

Adam Smith and the Scotland of his Day.
C. R. Fay, M.A., *D.Sc. Cambridge University Press*; 25s.

This book is an historical treatise of the Augustan Age of Scotland, centred on Adam Smith and depicting his childhood background and his relationship with other famous men of his period.

But alas! it is written in such an involved manner, darting from subject to subject and from point to point with little comprehensive link between them, and the style is so disjointed as to spoil the enjoyment of some very valuable and interesting research.

The author relates a charming story of the child Adam being captured by gypsies. This we are told may have engendered in him a horror of restraint which later gave place to the free trade movement!

He gives us a glimpse into Kirkcaldy and Pathhead, the childhood town of Smith and Oswald whose industry no doubt gave examples of the principle of the Division of Labour. Methods of dealing with the poor are illustrated, and we read with amusement Smith's views on the education of women. Timetables of the curricula of schools are given and we suddenly jump to illustration of Smith's views on the limitation of interest.

In 1776 *The Wealth of Nations* was published. It became a tremendous success in Westminster. Pitt grounded himself in it, Fox quoted it largely,

and Hugh Blair the High Churchman praised it highly. Smith's matchless style and homely observations combined with high economic vision caused Burns to burst into unqualified praise.

Smith's contemporaries included Blackstone of Oxford, whose *Commentaries on the Laws of England* were also published in 1776; the political scientists, Ferguson and Millar—the latter being one of the greatest classical sociologists; 'Taxation' Townshend, Chancellor of the Exchequer in 1765; and Benjamin Franklin, who was closely associated with Smith's views on Free Trade.

Vol. I of Gibbon's *Decline and Fall of the Roman Empire* was also published in 1776. Both Gibbon and Smith came of commercial stock. The Control of Customs was the hereditary occupation of the Smiths, whereas Gibbon's grandfather was a Commissioner of Customs. Both held position in the revenue service later in life. They had similar theological beliefs, putting reason and freedom of conscience first, and were fond of meditation. They both travelled a great deal and were bachelors.

Adam Smith became tutor to the Duke of Buccleuch and accompanied him to Toulouse where he was highly esteemed by Turgot, the great financial reformer, who inspired the Commercial Treaty of 1786 between France and England.

We are indebted to Professor Fay for his scholarly study of a great man and a great age, but only regret that it lacks form.

DULCIBEL JENKINS

NEW MEN

Beatrice Webb's Diaries, 1924-1932. Edited by Margaret Cole. Longmans Green; 25s.

The advent of the first Labour Government, bringing in its train the appointment of new men with no experience of government, made material for a brilliant and fascinating study of kind. Beatrice Webb herself, who was very much in the centre of things during these eventful years, wrote at length on both events and personalities with a perceptive and devastating frankness.

INVESTORS' GUIDE

Invest One Hundred Pounds. Edward Westropp. Oldbourne; 7s. 6d.
A Simple Guide to Shareholding and Company Accounts. 1956 Budget Revised Edition. John Wood. Putnam; 9s. 6d.

Both these books aim to give advice and guidance to the small investor. The City Editor of the *Sunday Express*, Mr Westropp, writes primarily for the newcomer who wishes to enter the stock market for the first time. His book covers the various types of investment, from an account of how the market works to advice on the type of share to buy, and what to avoid. He sums up his experiences in the words: 'For safety and profit no shares are good enough except the best'.

Mr Wood does not profess to be a guide to the stock market, but explains and elucidates the mysteries of company balance sheets, thus equipping the would-be investor with the knowledge necessary to select for himself the most worthwhile shares.

TALK OF PROPAGANDA

Tell the People! Mark Williams-Thompson. World's Press News Publishing Co., Ltd. 12s. 6d.

Men and nations are not to be put across like detergents but Mr Williams-Thompson, who waged pol-

itical warfare against the Axis and since the war has been in public relations for Socialist Ministers and on his own account, rightly deplors the failure of Britain and Britons to win the war of words and ideas.

A little naive about Nasser and the Middle East, Mr Williams-Thompson has much to say that is forceful and direct about past and present deficiencies in British publicity, from the Palace to the factory floor. In his chapter on 'Britain and the Cold War' he shows very clearly and simply how British trade and greatness is being throttled by G.A.T.T. and non-discrimination.

He has strong views, not all equally acceptable; he has humanity and a good word not only for Dr Dalton but for Lady Docker. If he can persuade our national leaders to project themselves and their policies to more effect, Mr William-Thompson will not have written this little book in vain; but it is necessary also that those leaders and those policies should be such as to summon the people to new effort and to the new glories which could be theirs.

INTERNATIONAL

Yearbook of the International Socialist Labour Movement 1956-1957. Edited by Julius Braunthal, Secretary of the Socialist International, under the auspices of the Socialist International and the Asian Socialist Conference. Lincolns-Prager International Yearbook Publishing Company; 63s.

The multitude are more aware of the Communist International (whatever its outward form or lack of it) than of its Social Democratic equivalent and their attention is usually only drawn to the latter when Mr Morgan Phillips goes on his travels or there is a rift in the ranks, as over

Suez between the British Labour Party and M. Mollet's robusier Socialists.

Here for general public and for student and practitioner of politics alike is a massive and authoritative compendium giving particulars and personalities of the Democratic Socialist organizations throughout the world.

LIFE TO EUROPE

Oil—The Outlook for Europe. O.E.E.C. Paris.

This report of the Oil Committee of the Organisation for European Economic Co-operation was completed towards the end of July 1956. The Suez emergency has given it an even greater topicality than have the studies recently made by the Commission for Energy and published last May under the title, 'Europe's Growing Needs of Energy—How can they be Met?'

Colonel Nasser gives poignancy to the figures and facts gathered here. It is estimated that in 1960 Europe's total consumption will be more than half as much again as in 1955 and may well double between 1960 and 1975.

Indigenous sources of crude oil and natural gas will make but a modest contribution to European needs but the Committee found no evidence for an early exhaustion of world crude oil reserves. The shift in supplies however from the Western Hemisphere to the Middle East is one of many cogent reasons why Great Britain and her European allies cannot afford any further weakness towards Egyptian expansionism, whatever the position taken up by Powers less exposed to economic catastrophe.

SHORTER NOTICES

Main Springs of the German Revival. Henry C. Wallich. Yale University Press, London, Cumberlege; 36s.

Professor Henry Wallich of Yale has provided an interesting study of the way in which a prostrate post-war Germany has become one of the strongest and soundest economies in Europe.

The Life of Ludwig Mond. J. M. Cohen. Methuen; 22s. 6d.

This is the life-story of the man who provided the foundations on which present-day I.C.I. was built. Ludwig Mond died over 40 years ago, and this account of his life provides an interesting account of the social history of Victorian and Edwardian times.

The Accumulation of Capital. Joan Robinson. Macmillan; 28s.

This important work sets out the basic theory needed for a coherent treatment of problems which present themselves in a developing economy.

The Annual Register of World Events: Review of the Year 1955. Edited by Sir Inison Macadam. Longmans Green; 105s.

This is the 197th year of publica-

tion of this register of events, and covers a year which contains the retirement of Sir Winston Churchill, a general election, a financial crisis with an autumn budget, and also the start of commercial television as well as many other important developments. A distinguished list of contributors have supplied the material for this useful survey.

European Year Book. Vol. II. Published under the auspices of the Council of Europe. Agents in Britain: B. T. Batsford Ltd; 70s.

The aim of this Year Book is to promote the scientific study of European organisations and their work. With the present interest in Britain in European Union, this book has a particular importance.

The Age of Mackenzie King. H. S. Ferns and B. Ostry. Heinemann; 25s.

The book sets out to discuss how and why Canada's most successful politician became Leader of the Liberal Party during a most critical period in Canadian history. A fascinating study of the Canadian political scene during the first 20 years of this century.

the Board of Governors of the Federal Reserve System. (873)

HIGHWAY HORROR

(1) *Road Accidents 1955: General Summary and Statistical Tables.* H.M.S.O. 4s. 6d. (874)

(2) *Solving Traffic Problems: Lessons from America. Planning Vol. XXII, 10 September, 1956.* P.E.P.; 2s. 6d. (875)

COMMONWEALTH

Two Approaches to the Exchange-Rate Problem: The United Kingdom and Canada, by Samuel I. Katz. Essays in International Finance No. 26, August 1956. International Finance Section, Department of Economics and Sociology, Princeton University.

The author is an economist in the Division of International Finance of

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).

LANCASHIRE IN TROUBLE

Lancashire and its Cotton. James Nowell. This reprint from *The Quarterly Review* argues for the protection of the Lancashire textile industry against low-priced Asian imports. Mr Nowell raises the question of how far Ottawa meets the needs of modern Britain and of present-day Commonwealth economic co-operation. (862)

F.A.O.

Yearbook of Food and Agricultural Statistics, 1955. Vol. IX, Part 2. Trade.

Information in English, French and Spanish available on 31 May, 1956. (863)

EUROPE

(1) *Towards European Integration: First Results for Coal and Steel. The European Coal and Steel Community High Authority.* Luxembourg, June 1956. (864)

(2) *European Payments Union: Sixth Annual Report of the Managing Board; Financial Year 1955-56.* O.E.E.C. Paris, September, 1956. (865)

(3) *Internal Transport in Iron and Steel Works.* Project No. 293. The European Productivity Agency of O.E.E.C. Paris. (866)

A study by the Chambre Syndicale de la Sidérurgie Française (C.S.S.F.), under a contract dated 6 May, 1956 from the European Productivity

Agency, into the principles and methods adopted in various European iron and steel works with a view to raising efficiency and reducing costs.

(4) *Report of the Central Bank of Ireland for the Year ended 31 March, 1956.* Dublin: Published by the Stationery Office; 5s. (867)

INDIA—

(1) *Report on Currency and Finance for the Year 1955-56.* Bombay: The Commercial Printing Press Private Limited, July 1956. Rs. 4s. (7s. 6d.) (868)

(2) *Statistical Tables relating to Banks in India for the Year 1955.* Reserve Bank of India Bombay. Rs. 6. (869)

—AND PAKISTAN

Economic Progress of East Pakistan. Department of Advertising, Films and Publications, Government of Pakistan, Karachi.

An illustrated and attractively written report of progress. (870)

TORYISM TODAY

Some Principles of Conservatism. Conservative Political Centre; 9d.

Mr Peter Goldman, Director of the C.P.C., has restated briefly and with distinction the philosophy and some of the achievements of a Conservative Party, which upholds tradition but accepts the inevitability of change. (871)

SOCIALISTS AND AUTOMATION

Automation—Blessing or Curse? Atomic Age Pamphlet, No. 2. 6d.

This pamphlet by Mr Frank Allaun, M.P., is based on a lecture by Mr Bob Edwards, M.P., given under the auspices of the Political Committee of the London Co-operative Society Ltd. (872)

(Continued at foot of previous page)

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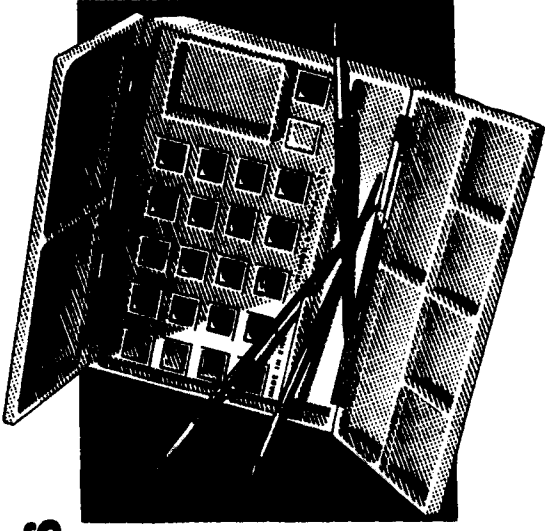
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Economic Talking Points

Is the Macmillan Plan for associating the U.K. with a European partial Free Trade Area compatible with an Expanding Commonwealth Economy?

90 per cent of Britain's Commonwealth imports are agricultural products which are excluded.

'Agricultural products' include drink and tobacco.

A wide European market could absorb Commonwealth production and provide capital for Commonwealth Development.

But Overseas Commonwealth countries, e.g. Canada and India, are growing industrial Powers and as the Plan stands any manufactures they exported to Britain would have no preference over Continental manufactures.

Modifications of the most favoured nation principle in G.A.T.T., etc., seem to be indicated.

More Dollars for Oil?

Owing to developments in the Middle East, Britain may have to find more dollars for essential oil requirements.

Our gold and dollar reserves will thus be further depleted, and if this is allowed to happen it will have disastrous repercussions on Britain and the Sterling Area.

But We may be forced by circumstances to review all our dollar purchases and to seek alternate sources of supply of some of the goods at present imported from United States from those countries who will accept goods and services in payment for their exports.

Are there any strictly Economic Causes behind the Risings in Poland and Hungary?

Under a trade agreement with the U.S.S.R. Poland was forced to sell large quantities of coke at \$17.50 a ton and to bear the shipping charges herself. This brought the actual delivered price down to \$15.30 a ton. Russia sold this coke to Hungary at \$23 a ton (Soviet profit of about \$2m.).

Under the Soviet-Hungarian trade agreements of February 1952, February 1955, and February 1956 Hungary is compelled to send to the Soviet Union the bulk of her aluminium, coal, iron, steel and oil and is also delivering ships, locomotives, food and consumer goods. Hungary is herself short of food and consumer goods. In the latest Five-Year Plan the Hungarians were promised a wage increase of 25 per cent by 1960 (a scale rather lower than pre-war) but heavy industry production was to rise 60 per cent, compared with an increase of 40 per cent in consumer goods and 27 per cent in agricultural production. During the first year of the Plan investment in heavy industry was to be ten times the investment in consumer goods and food production.

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Digest Spotlight focuses on

Joseph Grimond, M.P.

THE LIBERAL PARTY has a new leader. Joseph Grimond succeeded Mr Clement Davies in November 1956, and the hopes of the Liberal Party are now much centred on this youngish, handsome but experienced leader. At 43, the Member for Orkney and Shetlands has already distinguished himself. From March 1950 until he succeeded to the leadership he was Chief Liberal Whip in the House of Commons. He is a fluent, attractive speaker in a conversational rather than the grand manner.

Grimond was educated at Eton and at Balliol, Oxford, where he was a Brackenbury scholar, and took first class honours in Modern Greats. He was called to the Bar in 1937—a Brackenbury Scholar of the Middle Temple—and practised as a barrister until the outbreak of war. During his period in Middle Temple, he shared chambers with the new First Lord of the Admiralty, Viscount Hailsham.

During the war Grimond served in the 2nd Fife and Forfar Yeomanry and on the Staff, where he held the rank of Major. When peace returned he was Director of Personnel of U.N.R.R.A.'s European Office, which covered Malta and the Middle East. In 1947 he took over the office of Secretary of the Scottish National Trust, and continued in this post until he was elected to Parliament in 1950.

He had already fought Orkney and Shetlands in 1945, and was then

only beaten by 329 votes. He won in 1950 by a majority of nearly 3,000. The 1951 General Election showed what the electors in the constituency thought of their Member. Grimond doubled his majority and further increased it in 1955 to 7,993.

He considers it encouraging that the Liberal Party is increasingly the party of youth. In the 1955 General Election, for example, the Liberals had 45 candidates in their 20's and 30's, 33 candidates in their 40's, and 32 candidates in their 50's and over. Of the present candidates, 62 out of a total of 122 are from Young Liberal and University Clubs. Grimond also points to the large membership of the Liberal Clubs in the Universities as a factor of great importance to his Party's future.

One of the criticisms of the Liberal Party has been that they have tended to live on their past glories, and have been impervious to new ideas, at any rate at the top. Whether this has been true or not, with Grimond as the leader of the Party there is not much likelihood that there will be a failure to adopt new ideas and accept new responsibilities.

He says—"The Liberal Party approaches life with daring and curiosity. Daring to win new successes; curiosity about new developments in thought and technique; determination that by a combination of daring and curiosity we shall lead the world to peace and prosperity. We don't expect to win over those