

Inflation, leading to a rising cost of living, and deflation, leading to unemployment, must both be avoided by matching the supply of money to the amount of goods available and savings made. Taxation must be reduced, as in Germany, to encourage enterprise and so increase the production of real wealth.

Industrial Production

Producers of marketable goods must be encouraged, not 'squeezed'. Proper incentives must be given to increase both production and productivity and to avoid waste. Skill and enterprise must be adequately rewarded.

Commonwealth Development

Undeveloped resources must be completely surveyed, and available capital concentrated on plans to develop overseas Commonwealth and United Kingdom sources of necessary minerals, raw materials and food. An urgent approach should be made to Canada to import more from Britain.

European Co-operation

The fullest economic co-operation, compatible with National Sovereignty and Commonwealth responsibility, must be achieved in Europe, in particular with France and the French Union. Reciprocal European trade should be fostered. The Nations of Europe should help each other to develop their domestic and overseas resources for their mutual benefit and that of their overseas territories and associates.

A New Spirit?

'At this crisis of history, our government should call together, as a matter of high urgency, a conference of the British Commonwealth and Empire. With these, our kith and kin and our own people, we should prepare a plan of action to put before our friends in Europe. We should then demand (and all Europe will be only too ready to accede to such a demand and to follow such a lead) a special session of the Council of Europe. The broad principles of a joint British Empire-Western Europe policy could be settled within a few weeks. The first steps could be agreed. A start could be made by the beginning of 1950. Such a start would put a new spirit and breathe a new life into all. But we must act swiftly; now is the moment of destiny.'

THE RT HON. HAROLD MACMILLAN, SEPTEMBER 1949. (From our 'Spotlight' article, October 1955)

Digest Spotlight focuses on

Lord Balfour of Inchrye

There can be few more dynamic personalities in business or in politics than Lord Balfour of Inchrye. Not yet sixty, he goes about his affairs with the energy of a man twenty years younger and has already packed into his life vast experience in a dozen different fields.

His connection with the Services started early. Educated at the Royal Naval College, Osborne, he joined the King's Royal Rifle Corps (60th Rifles) in 1914 at the age of seventeen and the following year became attached to the Royal Flying Corps and later the Royal Air Force. Before he was twenty-one he was in command of a Squadron and for conspicuous gallantry received the Military Cross and Bar and in addition the Croix de Guerre.

In 1923 he left the Air Force and plunged into business and journalism. Not content with this, he entered politics. Having lost a contest in 1924, he was elected for the Isle of Thanet five years later and sat for this constituency in the House of Commons for sixteen years.

During this phase of his career he became Parliamentary Under-Secretary of State for Air, and found the time to make many trial flights as a pilot in all types of machines, including new R.A.F. fighters. He also travelled to Egypt, the Sudan, Kenya, Palestine and South Africa to inspect R.A.F. Stations. Negotiations for the Empire Air Training Scheme took him to Canada in 1939,

and later he became Chairman of the Air Ministry Empire Air Training Scheme Committee which gave him more opportunity of seeing that great country.

In 1944 he was appointed Resident Minister in West Africa and held this office until the 1945 General Election. He had been a Privy Councillor since 1941 and was raised to the Peerage in 1945.

Interest in the Empire and Empire trade has always been a feature of his activities and from 1945 to 1948 he was President of the Federation of Chambers of Commerce of the British Empire. When, in 1950, Lord Lyle was compelled by ill-health to resign the Chairmanship of the Empire Industries Association, Lord Balfour was asked to take his place, which he did on the understanding that he would be allowed to relinquish it after a year or possibly two.

His success in this position however was such that, in answer to repeated appeals, he retained it until the end of 1955 when he decided that his business interests would no longer allow him to give so much of his time to the Association's work. In the meantime, however, the Association's beloved President, Leo Amery, had died and the Association considered that there could be no other candidate for the Presidency than Lord Balfour. He therefore undertook this position and still remains a dynamic force within the Association.

In his Presidential address at the last Annual General Meeting of the Association, held in December, 1956, he made a vigorous plea to the political parties to establish a Bi-Partisan Commonwealth policy. There was a time when Britain's foreign policy was bi-partisan in Parliament. Failing a reconstitution of that attitude, Lord Balfour pleaded that at least there should be no division between the parties on general Commonwealth and Empire policy. He has expressed on more than one occasion vigorous opposition to some of the international commitments which interfere with Commonwealth and Empire relations, and is not prepared to accept *in toto* the much-advertised European Common Market proposals unless at the same time Great Britain frees herself from the entanglements consequent upon the G.A.T.T. policy pursued by all Governments since the war.

He does not regard the House of Lords as a Home of Rest, but on subjects with which he is conversant

is a frequent and forthright speaker in that Chamber. His interests, however, are wide. The Air remains probably his deepest love, and he is a Director of British European Airways; also of several companies interested in African enterprises. In addition he has shown a close interest in television and it is difficult to imagine how it is that he finds time to indulge in his favourite sports of fishing and shooting. He has, however, a delightful house at Kelso, where he is able to indulge such leisure moments as he can find in these pastimes and in the cultivation of his land.

In 1947 he married Mary Ainslie Profumo, daughter of the late Baron Profumo, K.C. Lady Balfour is keenly interested in affairs and when her husband was seriously ill a few years ago showed herself quite capable of keeping him in touch with what was going on. They have a charming little daughter, Mary Ann. Lord Balfour also has a son by a former marriage.

BRITISH PROPAGANDA

Resolution adopted unanimously by the Council of the London Chamber of Commerce, 8th January, 1957.

RESOLVED:

THAT in view of the vital part which propaganda plays in the modern world, both economically, and politically, the attention of Her Majesty's Government be drawn to the deplorable weakness in this respect displayed by this country since the war and more particularly before, during and after the Suez crisis. That this country is capable of first-class and effective propaganda was fully demonstrated during the war and that our case should go by default now is inexcusable. This Council therefore urges Her Majesty's Government, in the strongest possible terms, to establish, as a matter of first-class urgency, adequate machinery for informing the world of our great achievements economically, socially and politically, and of our present and future needs and objectives. A positive, forthright statement of where we stand and why, is, in this Chamber's submission, the only effective way of countering the ceaseless propaganda put out to belittle our still considerable influence in the world.

Can Britain Remain Independent ?

SPECIALLY CONTRIBUTED BY JOHN PENTON

THE Suez affair has clearly demonstrated two things. If we rely on others for our ultimate defence we are no longer masters of our foreign policy. Our allies, American or otherwise, cannot be expected always to see things in the same light as we do and this is true also of some of the other members of the Commonwealth as at present constituted. We must therefore make a great and urgent effort to possess the hydrogen bomb and the means to deliver it, which today means pushing ahead with all speed with our own guided missiles. The United States certainly possess the physical resources for developing these missiles, but the fact remains that no nuclear armaments in America, however numerous and modern, can replace those under our own control.

Oil or Nothing

The second unpleasant fact we must face is that we depend for the fuel which is at the basis of our national life, on oil the sources of which are for the greater part situated beyond our control. This oil, once produced, has had to be shipped either through a waterway within the territory of a backward, unstable and consequently potentially hostile State, or over thousands of miles of open sea where the tankers would in time of war be open to attack from aircraft and submarine. Moreover, they would probably have to discharge their cargoes under nuclear bombardment. What hope have we of living our lives in

our own way under such conditions? These two facts are fundamental for the continued existence of Great Britain as a sovereign state, and if Britain becomes a satellite of one of the two great world powers what hope have the other nations of the Commonwealth of keeping their independence? It will be a terrible commentary on the short-lived British Empire if history one day shows that its members in Asia, Australasia, America and Africa gained their independence and then, instead of forming a viable Commonwealth of sovereign states, fell one by one under the domination of other powers.

Can Britain Stay Free?

Can all this be prevented? It must be prevented at whatever cost and principally by the exertions of the British people. It is necessary to dispose as quickly as possible of a sufficient number of the decisive weapons of war so that when a British Government, from whichever political party it springs, undertakes what it considers to be a right and necessary action abroad it is not forced to rely on the United States, or any other ally, to deter a potential enemy from intervening with the threat of bombardment by nuclear rockets. It may become possible to reduce the number of British troops in Western Europe, but any disarmament which affects our production of nuclear weapons will be more than a false economy; it will be madness.

Dig More Coal!

Until recent years we based our economy on an abundance of coal at home. We are now relying increasingly on imported fuel and our position has thus become so precarious that our future existence is threatened.

It is imperative to raise our coal production. For this, an adequate labour force is needed. So far from obstructing foreigners to come and work in our mines, we should give them every encouragement to do so under safeguards for the preservation of proper standards of work and pay in the industry. We are short of miners, yet Italians and others willing to come here to work underground are not allowed to do so.

The French have, as a result of intensive exploration, discovered sizeable oil deposits in the Sahara. Are we sure that further exploration in our African territories will not produce satisfactory results? There are very large oil resources in Canada. Is there a way for us to participate in stepping up their development and so perhaps secure supplies from a politically stable Commonwealth country? Could a way be found to do so without further straining our balance of payments?

The Germans produced vast quantities of petrol from coal during the war. Most if not all the motor spirit so produced was low grade; but the process for converting coal into oil has been greatly improved since then.

Further research has taken place in America and one conversion plant is now operating successfully in the Union of South Africa.

British Oil from British Coal?

The idea of erecting such plants in

Great Britain was turned down several years ago, but should we not take another look? One can understand the reluctance of the Ministry of Fuel and Power to embark upon an expensive programme for installations which, although they would use the lowest grades of coal, might do no more than provide the country with inferior fuel at greater cost. Yet our plight could become so desperate if the present trend continued that before this idea is finally rejected, the facts should be brought out and publicly discussed, so that people could judge for themselves. If in normal circumstances the resulting oil and petrol would not qualify as a commercial proposition, might it not still be well worth while to have some such plants conveniently sited near the pitheads against an emergency such as exists at present and is likely to arise again so long as we rely on Middle East oil? At least a pilot plant ought to be set up immediately at which research could be conducted into the improvement of the process.

What progress has been made with the gasification of coal remaining in narrow seams which have become practically impossible to work in the normal way? Experiments have been conducted in Russia and America, but little about them has appeared over here. What are the possibilities of getting a little extra from our dwindling coal resources by this means?

Speed the Nuclear Programme

The vital necessity of doubling or if it is feasible even trebling the atomic energy programme is too obvious to be laboured here. The aim should be to produce, at great sacrifice if need be, the greatest possible

Europe Overseas

Many parts of the British Colonial Empire and the French Union overseas are contiguous. Some people have been urging for years both in France and Britain that a real effort should be made by the two greatest colonial powers to concentrate on developing their overseas territories. It needs little imagination to foresee the influence which could be wielded in the world by the British Commonwealth and French Union, expanding and combining politically and economically. Such a pole of attraction might be created as would not only transform the European scene but also check the centrifugal forces now operating with such devastating effect and render the French Union and the Commonwealth viable at last.

One important result of successful economic co-operation between Europe and the Commonwealth could be the reduction to manageable proportions of the Dollar Gap, through increased reciprocal trading. There is no reason why we in this country should not make a start on this at once! For instance, Rhodesia grows tobacco and could supply much of our needs. Why spend dollars on American tobacco instead of taking it from Rhodesia? Can nothing ever be done to replace inferior American films in our cinemas? Nobody wants to keep out films from any source which have artistic and intellectual merit, but the U.S. film industry is a high-powered monopoly whose products cost dollars.

Discrimination Necessary

It has become clear that multilateral free trade will not balance trading accounts between the dollar

fuel equivalent at the end of ten years. Any talk of what can be done at the end of twenty years is a waste of time. It will take far longer than this to catch up with our needs for power which go on increasing year by year, but we must do as much as possible in as short a time as possible and go on doing it.

European Economy

British participation in as large a European free trade area as possible should be pushed ahead with the utmost energy. If industries cannot adjust themselves gradually to the new conditions which will come into force step by step over a period of at least fifteen years, they will be showing remarkably small powers of adaptation. Means can be found in any case for dealing with cases of real hardship or injustice in Britain which can clearly be shown to result from the creation of such a free trade area. This does not mean that Commonwealth economic development and unity should not have priority. What is more, it will be necessary to reconsider the most-favoured-nation principle enshrined in G.A.T.T. and other instruments.

The aim in establishing a unified European market in which British industry would share would be to create a higher standard of life for all. The introduction of automation would probably be accelerated through the provision of greater outlets for our manufactures. This in turn might transform industrial and financial conditions at home and thus help to sustain the burden of the Welfare State. It will be essential however to have a thorough overhaul of the present financial machinery so that adequate credit for capital development is made available without further inflation.

and non-dollar worlds. Even if the United States showed a real will to make a reality of 'Trade not Aid', which they are far from doing at present, it is very unlikely that we could sell sufficient goods over there to fill the gap. Dollar purchases must be kept to a minimum. International agreements perpetuating the present position must be revised. We cannot risk bankruptcy in order to please Hollywood or the American farmer. That way lies political and economic

dependence on others.

Finally, is it not time that we faced up to the realities of a multi-racial Commonwealth? Are its members really so friendly with one another as we pretend? Recent events at the United Nations General Assembly suggest that we are not. On the other hand, the Commonwealth has stood the strain of the Suez crisis, and the more profitable a partnership it becomes, the more united it will stand.

Why Pay Dollars for Metals?

ALMOST exactly a year ago Viscount Bruce of Melbourne made a plea in the Lords for a bold and imaginative scheme for the development of the British Commonwealth's mineral resources. The government promised that the proposal would receive careful examination.

Today—fully twelve months later—we are still no further on. Meanwhile more valuable mineral resources have been lost to the Commonwealth, through the Trinidad Oil deal and other similar but less publicised transactions, which are the inevitable consequences of unsound principles of taxation and the absence of a planned minerals policy, the need for which has once again been emphasised by the consequences of the Suez emergency. Not only is such a policy needed to prevent control of Commonwealth deposits from passing into other hands but also as a means of conserving gold and dollars which we can ill-afford to waste.

From The Mining Journal, December 28, 1956

WHY PAY DOLLARS FOR METALS?

metals in varying degree. To what extent could dollars be conserved by developing or expanding the production of these materials in Commonwealth territories?

Potential Dollar Savers

In the Commons debate Sir Albert Braithwaite pointed out that last year we spent £30,000,000 in dollars on bringing aluminium to the U.K. The great Volta River scheme, however, one of the most important projects currently under consideration anywhere in the world, is situated within the sterling area. The production of aluminium at Volta from domestic bauxite resources would materially strengthen the economy of the U.K. and of the sterling area as a whole. The Preparatory Commission regards this project as potentially economic, but even if this view proved to be over-optimistic, some form of subsidisation might prove to be well justified by the large saving in dollars which would result quite aside from the opportunity thereby afforded for the general economic development of the area.

Magnesium, to take another case, was produced in Britain from seawater during the war, but this was discontinued owing to the high cost of electric power. The tonnage currently imported into the U.K. in 1955 was only 4,885 tons, of which Canada supplied 3,095 tons, so that the present cost in dollars is not very great. It can scarcely be doubted, however, that magnesium consumption will expand very rapidly in future years and eventually this metal, too, will constitute a formidable drain on dollar resources unless other sources of supply can be developed. Here, too, there appears to be a strong case for encouraging

either production within the U.K. or the establishment of plants for extracting magnesium from seawater in countries such as British Guiana, where the potential hydro-electric resources are very great.

It is possible that the exchange position in regard to nickel may in time be considerably alleviated by exploitation of a recently discovered deposit in the Gatooma area of Southern Rhodesia, which is claimed to be extremely extensive. There are also large undeveloped deposits of sulphide nickeliferous ores in South Africa. Again, the U.S. is by far the world's largest source of molybdenite, but this mineral is of fairly widespread occurrence and the existence of payable deposits in Commonwealth countries can by no means be excluded.

Generally it seems most probable that modern methods of exploration would lead to the discovery of many valuable and dollar-saving deposits in the vast areas of the Commonwealth which are still entirely unprospected.

Last year Britain imported 11,600,000 tons of coal, of which 5,500,000 tons came from the U.S. The total cost of the American coal was between £35,000,000 and £40,000,000. About 75 per cent of the freight cost was in sterling, the net dollar cost to the U.K. being in the region of £25,000,000. Yet there are virtually unlimited quantities of coal of good coking quality in Tanganyika, where the Colonial Development Corporation has spent £600,000 in improving coal mining. Reserves already proved are placed at between 300,000,000 and 500,000,000 tons. Now that coal has to be brought to Newcastle, why should we not plan to ship it from East African ports (the Suez canal

permitting!) so that dollars can be conserved?

Need for a Minerals Audit

Such questions—typical of many others which must arise—cannot be answered without studying the Commonwealth's requirements as a whole. What is needed is a Commonwealth minerals audit, to provide a detailed blueprint on which a co-ordinated approach by all Commonwealth governments to the problems of minerals development can be based. In the words of Mr Bernard Braine, a Paley Report for the Commonwealth is required. It would be interesting to know whether this problem is engaging the attention of the Commonwealth Economic Committee.

Apart from the savings in hard currency which could result from more intensive development of the Commonwealth's mineral potential, it may well be that Britain could further strengthen her economic position by exploiting her own natural resources of non-ferrous metals, as advocated by Earl Jowitt in the Lords' debate.

Despite the formation of U.K.M.M.A. some three years ago to champion the domestic metalliferous mining industry, no major extension of mining or prospecting activities has occurred in recent years; such operations as are at present in progress being small. Two tin mines are operating in Cornwall, both of which are doing well; a few small lead mines are active, and some exploration is in progress here and there. But all these operations, added together, amount to very little indeed. Moreover, at the Geological Survey's present rate of progress, it will unfortunately be

a great many years before Britain has been fully surveyed. Undiscovered sources of non-ferrous metals and other materials may well exist, particularly in the wilder and more mountainous areas, in regions which have never been prospected at all.

What is Potential Saving?

In the absence of a comprehensive mineral survey, it is not possible to assert the potentialities of Britain's metalliferous mining industry with any degree of confidence. Roughly speaking, outputs of tin, lead and zinc in the U.K. last year, compared with the best year in the decade before World War II, were respectively for tin 1,937 l. tons compared with 3,250 in 1929, lead, 7,413 against 54,000 in 1934, and zinc, 1,048 against 11,000 in 1938. At present prices the output for 1955 had a value of approximately £1,801,000 compared with £7,750,000 on the basis of what were admittedly exceptionally good pre-war years. The disparity between these figures is sufficiently striking, even against the background of a total U.K. consumption of these metals last year worth around £76,651,500 at current prices.

It is evident from these figures that quite a substantial reduction in the cost of importing non-ferrous metals could result from any significant increase in output from indigenous resources. In order to create a favourable climate for the expansion of the domestic mining industry, the first requisite is obviously the prospect of relatively stable metal prices.

Replying in the Lords' debate Lord Mancroft pointed out that Britain's national prosperity depended greatly on the efficiency of

engineering production. He therefore considered it would be foolish to base our non-ferrous policy, with which it is closely linked, on any other principle than that of obtaining these metals, whether at home or abroad, where they could be produced more cheaply and efficiently than anywhere else.

Expansion in U.K.

There is no reason, however, why the expansion of domestic mining in the U.K. should not be achieved without detriment to the competitive position of engineering exports, by subsidising in a suitable manner the production of non-ferrous metals. The U.S. government has found it expedient to encourage mineral producers—domestic and foreign—by purchasing large tonnages of critical metals over long periods at special prices. The results of this policy have exceeded the most optimistic expectations.

One of the arguments advanced in the Lords for encouraging the expansion of metalliferous mining in the U.K. is the need for a few good metal mines which could serve as a training ground for mining engineers. This point was made by Viscount Falmouth, who recalled the old days when the majority of mining engineers came from Cornwall and used to encourage mines overseas to send back large orders for machines to be manufactured in Britain. British mining engineers are becoming less common overseas and mining in the under-developed areas is to an increasing extent being undertaken by Canadians and Americans. If we are going to keep up the export of mining machinery, we must have some sources in this country where machines can be tried and developed.

Tax Relief Vital

Of critical importance not only to the expansion of metalliferous mining in the U.K. but also in the wider context of British participation and leadership in the development of the Commonwealth's mineral resources, are preferential tax concessions designed to encourage enterprise and risk capital. Some three or four years ago the Cornish Mining Association addressed a questionnaire to four of the great British mining houses, asking why they were showing so little interest in mineral development in Britain. In every case the answer, with emphasis, was taxation.

The Example of Eire—

Earl Jowitt, quoting from *The Mining Journal*, instanced the benefits which have accrued to Eire as an example of what can be achieved by generous tax concessions. Earlier this year Eire introduced a Bill under which new mining operations are free of tax for four years and pay only half-tax for four years thereafter. In consequence of this concession, six Canadian groups are now operating in Eire, several of which have subsidiary companies at work. One company alone has spent over £500,000 on operations at a single mine and estimates that it will require to spend a further £1,750,000 during the next year or so to bring the mine into production.

—Canada and Australia

The Canadian government is purchasing all the uranium which is won at such a generous price that the producing companies are able to amortise all their costs in five years. In Australia uranium mining and gold mining are encouraged by

a scheme whereby no tax is exacted for five years. A plea for more lenient tax treatment for the British mining industry operating overseas was made a few days ago by Mr S. E. Taylor, president of the Overseas Mining Association. In this connection it will be recalled that earlier this year the Chancellor said he would give careful consideration before the 1957 Finance Bill to those recommendations of the Royal Commission on the Taxation of Profits and Income, which referred to the possibility of creating a new category of companies under the style of 'overseas trade corporations'. Such companies would be liable for U.K. taxation only in respect of distributed profits. The Chancellor also promised the introduction of legislation next year to deal with the situation arising from

the frustration by the U.K. tax system of pioneering industries' reliefs which are granted by overseas authorities.

The Chancellor considers that the bigger question of 'overseas trade corporations' would settle the smaller one of the frustration of 'pioneer industries reliefs'. The British Overseas Mining Association does not accept this view but advocates that reciprocal 'pioneer industries' reliefs should be granted to all companies eligible for them. We feel that B.O.M.A. is correct in this view. If British capital and know-how are to be effectively mobilized in the development of the Commonwealth's mineral resources, half measures in tax matters are useless in the face of the kind and extent of the reliefs being granted to mining in other parts of the world.

National Council of Economic Research

IN New Delhi on December 18 President Rajendra Prasad formally inaugurated the National Council of Economic Research.

The council is a non-governmental body, instituted to promote and coordinate research in economic and industrial problems.

President Prasad said the Council, with which the business community was closely associated and which the Government had agreed to en-

courage, would be of great help in the development of Indian industry.

In a message of good wishes on the occasion, Prime Minister Nehru said the fact that the President himself was inaugurating the Council indicated the importance that was attached to economic research, more especially as applied to problems of the day. Mr Nehru expressed hope that this Council would help in solving these problems.

From India News, December 22, 1956

Commonwealth Survey

(1) DOLLAR EARNERS

THE report of the Commonwealth Economic Committee for 1955-56 contains in some detail figures which show the sources of dollar earning within the Commonwealth. The total of dollars earned during 1955 was \$3,282m. as compared with \$2,933m. in 1954. This total however includes the dollars earned by Canada, which is itself, of course, a dollar country. Omitting Canada, the total in 1955 was \$1,421m. as compared with \$1,258m. in the previous year.

The following table shows the main Commonwealth dollar earners:

SOME COMMONWEALTH DOLLAR EARNERS IN U.S. \$ MILLION f.o.b.

United Kingdom ...	1954	1955
Australia ...	529	574
New Zealand ...	65	70
Union of South Africa ...	38	38
India ...	35	37
Pakistan ...	193	206
Ceylon ...	19	26
Rhodesia and Nyasaland ...	35	44
Rubber (Malaya) ...	47	64
Tin ...	89	156
Cocoa (Gold Coast) ...	86	97
" (Nigeria) ...	50	38
Sugar (West Indies) ...	35	16
Coffee (Br. E. Africa) ...	25	25
	12	30
	<u>1,258</u>	<u>1,421</u>

The United Kingdom, of course, is by far the largest earner of dollars.

The two main items with which she does so are textiles and vehicles, which respectively earned \$220m. and \$113m. in the year. After that come spirits, machinery, pottery and chemicals.

to meet Commonwealth dollar needs. It is, therefore, of the greatest importance that all encouragement should be given to Commonwealth countries to increase their dollar earnings as a contribution to the sterling pool.

From Empire Industries Association and British Empire League

(2) COMMONWEALTH AND FOREIGN AID TO PAKISTAN

By THE HON. H. S. SUHRAWARDY,
Prime Minister of Pakistan

PAKISTAN has so far received \$675.564 million of external assistance, of which one-sixth has been used for emergency relief. The rest has contributed about twenty per cent of developmental outlay over the years 1951-56. The details of external assistance, source-wise are: U.S.A. 464.08, Australia 30.06, Canada 55.93, New Zealand 4.17, United Kingdom 29.68, the Ford Foundation 7.23, the World Bank 77.25, other countries .28 and the United Nations and its specialised agencies 7.78.

Types of Assistance

Assistance has been received under various types which are as follows: Project assistance, excluding technical assistance, except under the International Co-operation Administration Programme where it forms part of the projects, is \$150.376 million. This sum has been further supplemented by World Bank loans of \$77.250 million and a U.K. credit of \$28 million so far. The total amount of external assistance available for development projects would be \$255.626 million, including an undrawn balance of U.K. credit. This amount is allocated for the development of a variety of projects like multi-purpose, irrigation and power projects, the setting up of industrial concerns, reconstruction of ports and other communications.

Raw Material Imports

Foreign aid used for current purposes was mostly utilised on the

import of raw materials for industries. Assistance for the procurement of commodities was, by and large, provided by the International Co-operation Administration. An amount of \$208.53 million had been allocated up to the end of September 1956 for the import of industrial raw materials, equipment and the acquisition of surplus agricultural commodities. \$1 million out of Canadian aid and \$0.224 million out of Australian assistance were also used for this purpose, thus bringing the total aid to \$209.754 million. Out of this, \$194.719 million have been authorised for the import of commodities.

Technical Assistance

Technical assistance allocations from several sources, including the International Co-operation Administration, amounted to \$51.738 million up to the end of September 1956. \$47.132 million of this amount had been obligated and a little over half the total allocation on this account, that is, \$27.244 million was, utilised by the end of September 1956. The balance of the allocation earmarked for technical assistance is held for the provision of contract services relative to International Co-operation Administration-aided projects which are programmed and in the course of implementation, and other types of general expert advisory services, equipment and training facilities for Pakistan nationals abroad. About 882 foreign experts worked and are still working in the country and 1,533 training facilities

From Pakistan Daily News

abroad for Pakistan nationals have been availed of. \$15 million for the purchase of wheat to meet the food situation in 1953.

By the end of September 1956, allocations for the provision of relief amounted to \$143.444 million. Almost the whole of the amount, \$143.248 million was obligated and commodities of the value of \$141.188 million were actually imported. The difference, \$2.060 million, represents consignments which are on order and pending delivery. The Export-Import Bank of the U.S.A. also allowed a credit accommodation of

Gifts of Wheat and Rice

'Gifts of wheat and rice were also received from the U.S.S.R. (20,000 tons each of wheat and rice), India (5,000 tons of rice), the People's Republic of China (4,000 tons of rice), Ceylon (1,000 tons of rice), Burma (200 tons of rice) and U.N.I.C.E.F. (3,567 tons of rice).'

(3) TRANS-CANADA PIPELINE TO SAVE CANADA HUNDRED MILLION

By A. P. CRAIG,
Vice-President in charge of sales of Trans-Canada Pipelines Ltd.

CANADA will save more than \$100,000,000 a year in United States funds through the building of the pipeline.

Canada imported \$10,000,000 worth of sulphur from the United States last year. When stripping plants are operating on the Trans-Canada gas supplies, approximately 1,000 tons of sulphur a day would become available, worth approximately \$10,000,000.

Canada is now a heavy importer of U.S. propane. With the pipeline in operation Canada would probably

become an exporter. In 1955 Ontario alone consumed \$75,000,000 worth of United States coal. By 1960 it is estimated natural gas will displace about one-third of that amount, resulting in a saving of at least \$20,000,000 in U.S. funds.

Sale of gas by Trans-Canada to the United States is inevitable in the long run, and probably within two years would produce \$20,000,000 a year and it is almost certain to grow to \$35,000,000 or \$40,000,000 within five years.

From Liberal Advocate, November, 1956

COMMONWEALTH CO-ORDINATION

THERE should be close co-ordination of the whole resources—including manpower—of the British Commonwealth, said the Australian High Commissioner in the United Kingdom, Sir Eric Harrison, on December 7. He believed that such co-ordination must ultimately come about.

'I cannot help but feel that the United Kingdom with the British Commonwealth is still the greatest nation in the world and can work for the greatest amount of peace and goodwill. I believe it has got to be understood that somebody has got to take that co-ordination in hand.'

From Australian News Letter, December 13, 1956

The Cost of Depreciating Money

IN Germany before the first World War, 40 billion marks of mortgage loans were outstanding—calculated to represent about one-sixth of the German national wealth. By 1923, when the mark had depreciated to a point where it took 42 billion of them to equal one U.S. cent, these loans were practically worthless. In a word, inflation gave away to debtors the wealth of creditors. It destroyed the provident middle classes, wiped out the pool of loanable funds, and erased every sensible reason for saving—for laying aside any portion of income for lending at interest. Speculators in commodities, land, and foreign currencies offered fantastic rates of interest for borrowed funds, but little was forthcoming. People, to beat rising prices, spent their money as fast as it came in. They had to, for survival. Thus the paradox that the more money the Government printed the scarcer it became for would-be borrowers.

The German experience with explosive inflation during and after World War I is not unique. It was repeated in a number of countries in World War II.

Ever Inflation

Since World War II, slow-burning inflation has been the order of the day, afflicting almost the entire world. This is due mainly to political pressures to sustain full employment at constantly rising wage levels. One hears more and more competent observers projecting this drift indefinitely into the future, warning that 'we are in a long-term cycle of inflation' or that 'we shall ex-

perience a rising price level for the rest of our lives. There may be interruptions, we are told, and the average rate of rise in prices will be modest—possibly no more than two or three per cent a year.

Two or three per cent a year, on the average, has seemed quite harmless to many political leaders and economists. It does not seem harmful to savers trying to accumulate resources for retirement, education of their children, and family emergencies. They have been alerted to their perils by noting how their past savings have depreciated in real value and by the many predictions that the future will hold more of the same. They want better returns, and governments, with greater or less reluctance, have submitted to their demands and let interest rates rise, recognising that a nation that systematically steals away the citizen's savings is inviting an uncontrollable holocaust of inflation.

The Point of No Return

Progressive inflation has been a world-wide phenomenon, as the following table suggests. The table shows for 16 countries the depreciation of money since 1946 as measured by official cost-of-living indexes. If the depreciation is converted to an annual rate, compounded, as the third column of the table shows, the saver has a measure of his point of no return—the annual rate of interest which he would have had to receive, and reinvest at compound interest, to have the same amount of purchasing power now as he had in 1946.

From *The First National City Bank of New York Monthly Letter, December, 1956*

Rates of interest available in 1946 were artificially depressed by 'cheap money' policies in most countries, and did not give the saver compensation for the depreciation in store for him. Switzerland, which offered 3.1 per cent on government bonds, was an exception, and the fact that the conservative investor in Switzerland has on the whole been better treated than elsewhere has something to do with the fact that interest rates in Switzerland today are the lowest in the world.

In most countries, the saver of ten years ago has suffered serious even with the depreciation of the

interest. In the United States, for example, assume a capital sum invested ten years ago at 3.4 per cent, with all interest re-invested at the same rate. This sum would have grown enough in nominal value to keep up with the average rate of depreciation of the dollar only if the interest were free of income tax. A person in the 20 per cent income tax bracket would have required a taxable interest rate of 4.3 per cent; in a 40 per cent bracket, 5.7 per cent; in an 80 per cent bracket, 17 per cent. And all this simply to hold even with the depreciation of the

RATES OF INTEREST AND DEPRECIATION OF MONEY

Country	Indexes of Value of Money*		Annual Rate of Deprec. (comp'd.)	Rates Offered on Gov't. Bonds†	
	1946	1956‡		1946	1956‡
Switzerland	100	86	1.5%	3.10%	3.23%
Germany	100	72	3.2	n.a.	4.90
India	100	72	3.2	2.88	3.98
United States	100	71	3.4	2.19	3.27
Venezuela	100	70	3.5	n.a.	3.63
Netherlands	100	67	4.0	2.99	4.10
Canada	100	65	4.2	2.61	3.88
South Africa	100	65	4.2	2.89	4.75
Sweden	100	65	4.3	3.01	3.74
United Kingdom	100§	65	4.6	2.76§	4.86
New Zealand	100	59	5.2	3.01	4.73
France	100¶	58	6.5	4.26¶	5.48
Mexico	100	47	7.4	10.44	10.12
Australia	100	46	7.5	3.24	5.04
Brazil	100	26	12.7	n.a.	12.00
Chile	100	5	25.3	9.22	13.82

Note: Depreciation computed from unrounded data. n.a. not available. *Measured by rise in official cost of living or consumers' price index. †Latest month available. ‡Except for mortgage bond yield in Germany, commercial paper in Venezuela and Mexico, and commercial bank loan rate in Brazil and Chile. §1947. ¶1948.

losses in purchasing power; rather dollar and avoid actual loss.

A Sorry Chapter

more than the table would indicate since interest income is often subject to taxation that waters down the rate and retards the working of compound

This has been a sorry chapter for the lender of money at interest.

Today's higher rates help, but they will still leave the saver falling behind in the race unless the price record of the next ten years is better than it has been over the past ten. Of this there is promise, for the rise in interest rates itself is a reflection of a greater sense of discretion by

government central banks and treasuries in creating money. Politicians who want lower interest rates must get them the hard way—by curtailing government expenditures and increasing government tax rates, stopping the upward price drift, and letting the loan capital of the people grow.

Europe's Chemicals

CHEMICAL production in the O.E.E.C. countries increased by 11.5 per cent in 1955 as compared with 1954. The first six months of 1956 showed an increase of 6 per cent over the corresponding period of 1955. This is one of the conclusions reached in the report, "The Chemical Industry in Europe", prepared by the O.E.E.C. Chemical Products Committee, which has just been published.

This is the third study on the chemical industry published by the Organisation, the first two having been issued in December in 1954 and 1955. It includes an analysis of the situation in Europe in 1955 and the first six months of 1956, together with numerous statistics. It also contains information on chemical production in the United States.

General Aspects

In 1955, expansion in the chemical industry continued at a higher rate than that of industry as a whole, the rates of increase of production being 11.5 per cent and 8.6 per cent respectively as compared with 1954. However, the rate of increase of the chemical industry, as well as the difference between this rate and that of industrial activity as a whole, declined

slightly as compared with the previous years. This trend was even more marked in the first six months of 1956, during which production in the chemical industry was 6 per cent higher than in the corresponding period of 1955 as against 5 per cent for industry as a whole.

Comparison with U.S.A.

In the United States, chemical production was 13 per cent higher in the first half of 1956 as compared with the corresponding period of 1955. The difference between the rates of increase in the chemical industry and in industry as a whole, remains appreciable in this case.

The use of production capacity was generally very satisfactory. In some industries, however, only part of available capacity was used, particularly in the case of soap, super-phosphates, and dyestuffs. The report analyses the situation in each of these sectors.

No special difficulty is mentioned in connection with supplies of raw materials, though imports of certain materials and intermediate chemicals such as titanium oxide increased considerably. There seems to have been a reversal of this trend, however, at the beginning of 1956.

From O.E.E.C., December 19, 1956

Labour, Investment, Prices

The labour force employed in the chemicals industry (1,359,000) increased by only 5 per cent; compared with the rise in production this figure seems to indicate an appreciable increase in productivity in this industry.

Investments, at about \$1,100 million, were 23 per cent higher than in the previous year.

The report shows that prices varied little in 1955. Though there was a slight upswing in some countries, export prices tended rather to decline following very keen competition on world markets. These trends persisted at the beginning of 1956. More detailed information on prices as well as on many other points is given in a chapter dealing with the chemical industry in individual countries.

International trade in chemical products also increased, but trade between the O.E.E.C. countries (+ 8 per cent) has not increased as much as trade with non-Member countries (imports: + 15 per cent; exports: + 14 per cent). A special study shows that liberalisation of trade between the O.E.E.C. countries varied very little between 1st January 1955 and 1st January 1956.

Dollar Trade

In trade with the dollar area, for which the balance sheet still shows a deficit on the European side, imports of the O.E.E.C. countries rose by 17 per cent and exports by 8 per cent. The balance sheet for trade with the other non-Member countries on the other hand remains largely positive, exports having increased by 16 per cent and imports by 12 per cent.

Among the matters of special con-

cern to the Chemical Products Committee referred to in the report, particular mention should be made of the shortage of skilled labour and of highly qualified scientific and technical staff. Whereas most countries already seem to have taken steps to improve the situation as regards the first point, the second remains the more disturbing as it is likely to influence, not only the present course of the European chemical industry and its competitive position on the world markets, but also its future.

In conclusion the report considers that in the near future, the chemical industry will continue to expand, although more slowly than in previous years, provided there is no serious deterioration in the general economic situation (the study was completed at the beginning of October 1956).

In the long-term view, the future of the chemical industry will depend mainly on two factors: the recruiting of managerial and highly qualified scientific and technical staff, and the maintenance of investment at an appropriate level in particular for the basic chemicals.

Different sectors of the Industry

Among the basic sectors, the petroleum chemical industry once again showed the greatest expansion, production in 1955 being one-third higher than in 1954. In the inorganic sector, where the continued increase in production has been far less spectacular, chlorine heads the list of all the products studied (+ 12 per cent), mainly because of its use in the organic chemical industry.

Taking the different groups of products into account, plastic materials and synthetic detergents come

The Loan—and the Waiver

SPEAKING in the House of Commons on December 4, Mr Macmillan referred to the debt payments of £143m. and \$38m. due to be made to America and Canada respectively at the end of this month. He informed the House that for some two years discussions had been going on with the United States with a view to our exercise this year of our right of interest waiver on the 1946 loan as provided for under Clause 5 of the Agreement. In this connection it is interesting to recall that the idea of coupling an international debt payment with a debtor's concomitant ability to achieve a positive current external balance first appeared in the Canadian Government's war-time paper on full employment.

The curious thing is that although ability to remit both capital and interest over the exchange depends on the same criteria, Clause 5 of the Loan Agreement is directed to interest payments only. Nevertheless, the Chancellor said he had received a reply from the United States to the effect that in view of the changes in the conditions envisaged at the time of the Agreement, they would present the matter to the Congress with a definite recommendation that appropriate modifications of the present language of the Agreement be made to carry out the spirit of the original intention.

Loan Written Off?

Reports have now reached this country that the Canadian Government is considering the possibility of writing off the Canadian post-war loan to this country entirely. Refer-

ring to this possibility the influential *Ottawa Citizen* recently wrote in an editorial:

'Britain's request for a waiver on this year's interest payment on the Canadian post-war loan raises the question of whether the loan itself should not be written off.

'The purpose of the loan was to help Britain restore its economy, which had been disrupted during World War II because Britain bore an undue share of the war burden. Could Canada say that it sacrificed equally with Britain in the common effort aimed at a common goal? Politically, British solvency is vital to the defence of the free world. In addition Britain is one of Canada's best customers.'

There is not the slightest doubt that in this editorial, and particularly in its reference to Britain's being left to carry an undue share of the war burden, the *Ottawa Citizen* has hit the nail well and truly on the head. Had the conference urged by Governor Herter been duly held, it is as certain as anything can be that the Roosevelt-Truman dicta as to the fair way of sharing the *financial burdens* of war would have provided the leit-motif of all discussions.

A New Initiative

It is as well to recall at this historic moment exactly what it was that Presidents Roosevelt and Truman did say. In his fifth Lend-Lease report to Congress in June, 1942, President Roosevelt said: 'If each country devotes roughly the same fraction of its national production to war, then the financial burden of war is distributed equally among the

From *The Statist*, December 15, 1956

the trend has persisted for several years—and the dyestuffs industry where, after a year of considerable expansion, demand, influenced by the situation in the textiles industry, has contracted.

Further progress is expected in 1956, especially in petroleum chemicals, plastic materials (where the rate of expansion will, however, be slower than in recent years), synthetic detergents, nitrogenous fertilisers and paints and varnishes.

first with an increase in production of over 20 per cent. In the sector of paints, varnishes, printing inks and related products, the rise in production is about 10 per cent, and for mastics as much as 33 per cent, compared with 1954. Production also continued to increase in the fertiliser industries, though at a lower rate than in the previous year.

Among the sectors studied in this report the only ones showing a decline are the soap industry—where

Mathematics of U.N.O.

LORD CHERWELL pointed out in the House of Lords recently that the seventy-nine nations represented in the U.N.O., each with one vote in the Assembly, were so diverse in population, wealth and power that astonishing situations could arise. 'Thus barely 5 per cent of the world's population can carry the day against the other 95 per cent; and 10 per cent would claim a two-thirds majority in the Assembly. Or, to put it another way, half the population of the world is represented by four delegates, and the other half by seventy-five delegates.' If, he said, in accordance with its population there might be a poor semblance of logic in the position. But as he noted, the vote of 400 million Indians or 160 million Americans is equated to the vote of 4 million Bolivians or 100,000 Icelanders, while the 600

million inhabitants of Communist China had no vote at all.

Lord Chervell's remarks prompt an analysis of the cost of running the United Nations. One third of the cost is borne by the United States, just over 15 per cent by the U.S.S.R., 8½ per cent by the United Kingdom; 6.2 per cent by France and 5.6 per cent by Nationalist China. Of the Commonwealth countries Canada pays 3.6 per cent, India 3.2 per cent, Australia 1.8 per cent, New Zealand just under ½ per cent and South Africa just under 1 per cent. There are seven countries each paying between 1 and 2 per cent. There are some fifty-five countries paying less than 1 per cent each, and the contribution of many of these is so small as to require a second place in decimals to specify it.

The purpose of these figures is not to draw a moral but to present facts.

From *The Statist*, 29 December, 1956

United Nations in accordance with ability to pay.' And in that same report, in a reference to Article VII of the Mutual Aid Agreement of February that same year, the President discussed the desirability of avoiding war-debt payments and described the relative national income criterion as 'the only fair way to distribute the costs of war among the united nations'. A bare month before the opening, on September 11, 1945, of the loan negotiations, conducted by the late Lord Keynes, President Truman repeated this relative national income approach to the sharing of war's financial costs in his 20th Lend-Lease report. He added figures showing Britain far and away ahead of the other allies in the degree of her devotion of income to the Common Cause. And, quite rightly, he illustrated America's participation in this finance as from 1939, not, forsooth, as from Pearl Harbour.

Figures Urgently Needed

Nevertheless, right at the start of the negotiations, the American delegation led by the late Dr Harry White requested the British delegation on no account to disclose to press or public the figures they then had available on relative national incomes and war expenditure, as such disclosure, they said, would prejudice Britain's chances of securing a loan on favourable terms. So far as is known, no agreed official figures of these national incomes and war expenditures on the lines of the Truman report have ever been prepared. Such figures are now urgently needed in the interests of all concerned, and with particular reference to Clause 12 of the Loan Agreement which states: 'Either Government shall be entitled to approach the

other for a re-consideration of any of the provisions of this agreement, if in its opinion the prevailing conditions of international exchange justify such re-consideration with a view to agreeing upon modifications for presentation to their respective Legislatures.'

Economic Research Council

In 1949, the Economic Research Council, London, at the suggestion of its President, the late Sir John Mactaggart, Bt, made an intensive study of the figures of national incomes and war expenditures of America, Britain, Canada, Australia and New Zealand, who between them had provided the bulk of the financial sinews used up in winning the war. The study was conducted by Professor R. C. Tress, at that time Reader in Public Finance in the University of London. His findings were published in full in fifteen detailed tables in *The Statist* of December 22, 1951.

Here it suffices to recall that official U.N. figures of national incomes and war expenditures showed:

U.S. national income, 1939-1945 inclusive, \$1,007,479 billion; war expenditures, including Lend-Lease, \$311,764 billion; proportion, 31 per cent.

U.K. national income, 1939-1948 inclusive, £59,660 million; war expenditure, including reverse Lend-Lease, £24,186 million; proportion, 40.5 per cent.

One vital table in the Tress study shows that a sharing of war finances in accordance with 'the only fair way' would have involved the following rectification in Britain's favour, in terms of dollars of 1945 purchasing power:

	\$ billions	Lord Simon, after reading the relevant passages of the 5th Lend-Lease report said: 'I am asked to say, and I do say, with very great pride, on behalf of His Majesty's Government, that we are in the fullest agreement with the statement which President Roosevelt has so recently made and we believe it does provide a firm and solid basis for co-operation with the United States in winning the peace.'
U.K. ...	+28.8	
Canada ...	— 2.8	
Australia ...	— 1.4	
New Zealand ...	— 0.5	
U.S.A. ...	—24.1	

In conclusion it is of interest to recall the British Government's re-initiative of August, 1942. Speaking in the House of Lords on July 22, 1942, the Lord Chancellor, the late

U.S. Tribute to British Aircraft

'BRITAIN is fast emerging as a formidable challenger for the world's aircraft export business, which is likely to be worth between 7 billion and 8.5 billion dollars in the next ten years', stated *The Christian Science Monitor* of Boston, U.S.A., in a recent issue. 'Starting practically from scratch after World War II, the British aircraft industry in the last few years has developed as a lusty rival to that of the United States, largely through its still undisputed leadership in the field of gas-turbine powered flight.'

Of the total for the first eleven months of 1956—£97,314,399—the United States bought £15.4 millions worth of aircraft, Australia £10.4 millions, Sweden £7.2 millions, France £2.8 millions, and Belgium £2.6 millions. Aircraft accounted for £67.4 millions of the total, engines £25.6 millions and components £4.2 millions.

Export Successes

This generous appraisal of the aircraft industry's achievements since 1945 is borne out by the export total of £66.2 millions.

From The Society of British Aircraft Constructors

A U.S. View

'WHATEVER may be thought of the unwisdom of the Anglo-French step, there is something very disquieting about the spectacle of the United States Government putting the screws on Great Britain, France and Israel in a case where right and wrong are mixed and applying no effective pressure against the Soviet Union in the case of Hungary, which will live in history as a case of absolute right against absolute wrong.'

William Henry Chamberlain, writing in the New Leader, December 3, 1956

Rural Economy

WESTERN GERMAN AGRARIAN POLICY

By PROFESSOR DR HERMANN PRIEBE

THE improvement of the agrarian structure of West Germany, which is being strongly promoted at present, is carried out on entirely new lines. For the first time self-aid and self-initiative of the farmers in a comprehensive agrarian programme are put on an equal level with the activities of the authorities and technical institutions. One aims at liberating agricultural enterprises from restraining factors existing in vast areas in the form of out-of-date field conditions, crowded villages with obsolete economic buildings and insufficient working units. In this way it is hoped to improve fundamentally the production capacity of the farms.

A dynamic change by reorganisation in the Federal Republic is practically already in full swing. Technical science is conquering the villages; many farms are being modernised, and new working units and new settlement centres are coming into existence. Tasks of this dimension, however, cannot be solved merely by planning on a high level or by administrative measures once and for all. They are, after all, the creative tasks of the German peasantry. Taking into consideration the manifold nature of conditions in the different agricultural areas, it would not make much sense to attempt to solve these problems on general lines in the Federal Republic. The personal co-operation of the farmer is of decisive importance.

From Deutsche Korrespondenz

Scope for Individual Initiative
Vast scope has been given to the initiative of each individual farmer. It is left to every peasant to make his own decisions as to the best possible utilisation of his farm, and to undertake constructions even without adhering to authoritative procedure. He will still enjoy the benefit of Federal means of promotion and credits to the same extent as he would by submitting his case to a rural development office or to a settlement association.

Family Enterprise

The ideal of the envisaged development will be the modern family enterprise which offers to the German farmer the possibility to gain an adequate income by his own work without overdoing it. The strengthening of the peasantry, however, should not proceed at the cost of those who, besides their industrial labour, own a small farm or a cottage in the rural area.

Some of them might in the future be content with a small piece of land or with a garden and thus attach greater importance to a healthier way of living and to their personal pleasure rather than to an extra income.

Generally, however, it is desired that as many families as possible should retain their homes in the villages and remain tied to the country. In this way the background of the measures promoted by the

Federal Government shows a true balancing between urban and rural interests and a better utilisation of Germany's living space.

Enforced Large-Size Farms?

It is not without reason that the shaping of the agrarian structure is a special problem of today's world crisis. Is it possible for a land-owner to retain his own sphere of activity

or is the present development pointing to collective enterprise as the only form of rural organisation? What Western Europe can offer here in peaceful competition of the various conceptions of life and economic forms in the way of ideas, will also be of future importance to those agrarian nations who are searching at present for new solutions between the power blocs of the world.

(2) GOOD OUTLOOK FOR AMERICAN FARMERS

THE increases in net income accrued to farmers in the United States during 1956 are expected to continue into 1957, according to a forecast by the U.S. Department of Agriculture.

Between 40 and 45 million acres which had been in production are expected to go into the 'soil bank' in 1957, reducing total crop production. The reduced production of pigs in the past Autumn will also continue in 1957's meat production. Strong consumer demand, increased exports and a reduction in output should result in a slightly higher price level in 1957 than in the past year.

Fewer Crops

Prices paid by farmers, particularly for items produced by industry, are expected to continue slowly upwards. With fewer acres being put into crops, however, production expenses will probably remain about the same as in the past year.

During much of 1957, as the result of the decline in production, pig prices will probably be at the highest level since 1954. Highest prices and the large supply of corn (maize)

available may stimulate farrowing by the middle of the Spring season. Pig prices next Autumn, therefore, will probably be closer to those of the same season this year than in the first half of 1957. Cattle, sheep and lamb prices will probably average slightly higher than the 1956-57 year.

Milk, Eggs and Fats

Next year's milk output is expected to increase between 129,000 million and 130,000 million pounds from the 127,000 million pounds estimated as the 1956 production. Consumer demand will be at least as strong as the increased requirements which became evident this year, U.S. Department of Agriculture experts believe.

The 1957 production of eggs, broiler (frying) chickens and turkeys in 1957 is expected to exceed the peaks established in 1956, which disclosed an increasing share for poultry products in the American meat diet. Prices of eggs and turkeys are expected to be down slightly and broiler prices up slightly from this year's.

The U.S. production of edible fats

From U.S.A. Information Review, December 21, 1956

has increased but stocks are down as the result of increased domestic use and exports. The supply for 1956-1957 is expected, as a result, to be at about last season's record level. The supplies of vegetable oils are higher this year because of the record production of soya beans, which is expected to be near the record levels of 1955-56.

Fruit and Vegetables

Consumer demand for fruit next year is expected to be at least as strong as the high levels established this year and exports are likely to increase, holding prices up. An increased production of oranges is expected.

The nation's supplies of processed vegetables for distribution into mid-1957 are well above those of this year. Retail prices are expected to average slightly lower. Potato supplies for the winter are substantially larger than last year's and are in excess of normal market requirements.

Cotton exports are expected to nearly triple the low 1955-56 figure of 2.2 million bales (a bale averages 500 lbs). This is expected to reduce the carry over during the 1956-57 season for the first time since 1950-51. Small stocks existing in other consumer countries and reduction in the U.S. export prices are expected to emphasise this trend.

(3) CHEMICALS IN FOOD

A group of experts and observers, interested in food processing and control, last week drew up a series of recommendations to guide the formulation of national food laws. The meeting, sponsored by the Food and Agriculture Organisation (F.A.O.) and the World Health Organisation (W.H.O.) resulted from a Conference on Food Activities held in Geneva in 1955.

The group discussed 'non-nutritive substances which are added intentionally to food', such as flavouring agents, colours and preservatives. The experts concluded that food additives have a legitimate use in food-processing and distribution systems inasmuch as they promote the better utilisation of available foods. The use of such additives was justified when they help maintain the nutritional quality of a food, enhance its keeping quality, make foods more

From F.A.O., December 17, 1956

—of the presence of additive in the food they buy, and that strict legal control of the use of food additives is essential. This means that trained food inspectors, food-control laboratories and reliable analytical methods must be available to enforce national regulations.

(4) WASTING OUR SUBSTANCE

In his budget speech, the Chancellor, Mr Harold Macmillan, pledged the Government to save £100 million on defence and civil expenditure in the current financial year. 'On civil expenditure', he said, 'without injury to the purposes common to us all, I believe there is still room for economy. Even modest economies are worth making. They can be made in both central and local government, if economy is the order of the day.'

No doubt Mr Macmillan has noted the examples of waste in central government expenditure quoted by Sir Bernard Docker in his 'save 1 per cent' campaign; from the Control of Rams Order (£4,000 a year for inspectors' and referees' fees) to the sale of government surplus stores at throwaway prices, there are a thousand and one targets awaiting the attention of the Treasury axe. But there is a means of saving, ignored by every government to date, which could be of incalculable benefit to the nation in the long term. We refer to the utilisation of waste.

In the absence of a lead from the top, certain enterprising local authorities have taken the initiative in

turning human wastes and domestic refuse into money. This should be done on a national scale. At present the general custom—apart from the sale of waste paper—is to regard sewage and refuse simply as materials to be disposed of.

A sewage works not far from London last year earned £10,000 by selling dried sludge fertiliser to farmers.

Edinburgh's bio-stabiliser (cost £35,000, population served 20,000) composts sludge and refuse and has proved so successful that the corporation is to buy three more like it (if the Treasury approves).

Jersey's sludge-refuse composting plant is now working full time to cope with the demand for its product, for which there is a three-month waiting list.

If the Government means what it says about saving, now is the time for it to give some unprejudiced thought to the whole idea of waste disposal. Each new scheme should be examined with the question, 'What return shall we get on our money?' very much in mind. It is out-of-date to dump our wastes into the sea or a hole in the ground. They must be made to pay.

From Municipal Engineering

(5) POWER FARMING CONFERENCE

For its seventh annual meeting, the National Power Farming Conference is returning to Cheltenham. It will be held there in the Town Hall, on

February, 12 13 and 14. This conference, which is now familiar to thousands of farmers, agricultural engineers, machinery distributors

From Practical Power Farming

and technicians who have attended in previous years, is also an occasion for an informal get-together.

The conference affords an opportunity for general discussion of problems in which each section has a part to play. It enables farmers to put their questions for the experts to answer. It is a time when manufacturers have a unique opportunity to gather farmers' opinions on current equipment.

The 1957 Conference will include papers of wide interest, including the application of power farming to grassland, and the ever-present topic of finding the money for improvements.

Not only have we to consider carefully what capital can profitably be used for machinery; we have also to look at operating costs and how to keep these to a minimum. This will be the subject of another paper.

Grassland farming offers tremendous scope for expansion of output, whether per acre or in total. One

session will be devoted to the subject of exploiting our grassland resources, another to a panel who will deal with questions on equipment and management.

The future of fertilizer distribution and the uses of a sprayer are two other matters of very widespread interest that will merit attention.

It is one thing to save labour, another to put that saving to good use. Often it is undesirable or impossible to dispense with existing labour, even after new machinery has been bought. But the labour saved can often be employed on profitable sidelines, which may well bring in cash at frequent intervals.

Such employment of labour saved may well solve the problem of how to avoid the seasonal overdraft, another vital subject on the agenda.

A novel approach to this has been made by the conference committee's offer of a £50 prize for the best paper submitted by a farmer of not more than 150 acres.

(6) FARM INCOME LAGS

THE farmer has not shared in recent general rises in prosperity. His dilemma: if he tries to increase his income through raising his output, he may contribute to larger surpluses and a further drop in prices. He can try to increase his net return by improving his efficiency and thus lowering production costs. But this usually takes capital or credit; in many areas of the world the farmer has difficulty getting

credit, and pays more for it than other producers. The F.A.O. report recommends that, particularly in the less-developed regions:

greater attention should be paid to the provision of farm credit; stress should be laid on the importance of increased investment—especially foreign—in agriculture.

From F.A.O. 'Memo', October, 1956

MERCHANT FLEETS OF THE WORLD

GREAT BRITAIN still has the largest fleet (19,546,000 tons gross) but it is almost static. The fastest growers are Liberia, Norway and Germany. The proportion of tankers in the world's fleets has grown to 26.8 per cent.

The Myth of Capitalist Colonialism

An extract from an article by DR HANS F. SENNHOLZ, Professor of Economics at Grove City College, Pennsylvania

The exploitation of colonial possessions is inconsistent with the concepts of competitive private enterprise and voluntary exchange.

WHEN the Egyptian government seized the Suez Canal Company's property, the American public again became aware of the world-wide movement of anti-colonialism. The eyes of the West, usually fixed on the Iron Curtain, now suddenly turned to the dark clouds over Suez.

In the past few years the governments in nearly all underdeveloped areas have attacked the political and economic position of the West. Discriminatory controls have been imposed upon Western trade and investments. Whole industries built and owned by American or European businessmen have been seized and confiscated. The West was just recuperating from the shocks inflicted by Iran's oil nationalisation and Indonesia's repudiation of her debt to the Netherlands, when Egypt nationalised the Suez Canal.

The anti-Western movement of trade restriction, debt repudiation, and nationalisation of private property is accompanied, by strong agitation for freedom from colonial rule. Since 1946 about 680 million people in Asia and Africa have in fact achieved national independence.

World Movement
This world movement has all the characteristics of a synthesis of socialism and nationalism. It is socialist by way of its governmental controls over the national economy

and its gradual abolition of private property in the means of production. It is nationalist insofar as it militantly advocates national independence and incites hostility toward foreign influence.

Both ideologies had their early roots in European soil. In countless incidents the governments of European nations nationalised important industries or seized them through a multiplicity of controls. And nationalism in Europe ran rampant, leading to a number of aggressions and wars. Having demonstrated repeatedly the seemingly unlimited power of collectivist governments, the white man now reaps the whirlwind of his own making. In this respect the Western nations bear full responsibility for the revolt of the black, the brown, and the yellow peoples against the white man's world order. Their uprise merely signals complete adoption of the prevailing Western ideologies.

American Sympathy
The American public is confused and bewildered by the present train of events. Consideration for our European alliances demands that we befriend the European nations, or at least do not oppose their vital interests. On the other hand, Americans entertain great sympathy for colonial nations in their drive for national independence. This discord

From *Wigglesworth & Co. Report for November 1956*

of American feeling often finds its reflection in our uncertain foreign policies.

Our sympathy for the colonial peoples and our hostility against colonialism stemmed originally from our liberal conception of the natural rights of all men. Liberty and independence were precious ideals worth every sacrifice to gain and defend.

But the nineteenth century liberals often committed tragic blunders by encouraging liberation movements which in fact were nationalist movements towards the substitution of one collectivist order for another. The concepts of individual liberty and the inviolability of property rights were so foreign to most dependent nations that their uprising meant only the displacement of the established order by an even less desirable order.

Present-day American sympathy for the new countries and their economic policies mainly stems from two other sources. Our welfare planners are enthusiastic about every new scheme of central planning on the part of any government. Full moral and economic support from Washington is assured to every government that announces central plans of 'construction' and 'development'. Thousands of young Americans are being sent out to foreign governments to advise and instruct them in the 'science of central planning'.

Flirting with Kremlin

Finally, the present sympathy for the new nations partially stems from the American search for new friends and allies in our opposition to world communism. Many billions of dollars of American tax funds were poured into the laps of governments of underdeveloped areas in the hope for

gratitude and friendship in return. But with a few notable exceptions the new Asian and African countries are staunchly neutralist and oppose any regional defence agreement with the West. They demand and take American aid, but continue to flirt with the Kremlin.

Echoing the communist leaders in their attacks on the West, they level the charge that Western colonialism has kept the economically backward nations subjugated for more than two centuries. Western capitalism tortured and exploited colonial people, they say, until they began to free themselves from the strangling grip of capitalism.

Colonialism—Marxist Interpretation

This is by no means a new charge. The writings of the arch-communists Marx and Lenin are full of expositions of colonialism. From London and Zurich they made their famous observations which then were spread through communist propaganda channels into all literature. Today there is hardly a textbook on recent history that is not perverted in one form or another by Marxian and Leninian ideas on capitalist colonialism.

What a communist conceives to be 'colonialism' is in the words of V. I. Lenin 'the territorial expansion of the system of exploitation of labour by capital'. New human capital is drawn into the orbit of wage slavery through colonial conquest. Once the world was divided among the colonial states of Western Europe, finance capital—especially from America—then became the decisive power of subjugating whole countries and nations to the capitalist profit greediness, even though these nations retained their political inde-

pendence. The latter stage often is labelled 'capitalist imperialism'.

An Absurdity

The very premise of 'capitalist exploitation' is an absurdity. Where the price of labour is determined through the operation of demand and supply in a free labour market, exploitation is impossible. Only where the mobility of labour is impeded through government decrees and regulations can labour possibly be under-paid. Indeed, true exploitation may be observed in all socialist and communist economies.

Equally untenable is the communist contention regarding American financiers and their imperialist endeavours. By investing their capital funds abroad they increase the productivity of the backward areas. They attract the services of foreign labour not by brute force, but through higher wages and better living conditions. Of course, their incentive is the possibility of profits to be derived from the new wealth created through their initiative.

Mercantilism and Nationalism

The existence of colonies, i.e., underdeveloped territories dependent on a ruling power, is not a phenomenon of capitalism, as its enemies so ardently contend, but of the very absence of it. The colonial empires of the Western nations were built in periods of *mercantilism* or *nationalism*. During the short intervening age of capitalism, colonies were considered inherited burdens to be disposed of sooner or later. 'Our colonies are millstones around our necks', said the British Statesman, Disraeli, in 1852 when Great Britain was about to embark upon her famous open-door policy.

During the seventeenth and eighteenth centuries England, Holland, France, and Spain were the foremost colonial powers. That was the age of mercantilism. And mercantilist ideas led governments to acquire dependent territories. Every nation endeavoured to be self-sufficient through tariffs, other import restrictions, and acquisition of colonies. The balance-of-trade theory prevailed and the notion that one nation's prosperity is another nation's loss and misery determined international relations. Europe was always fighting or preparing to fight.

The adherent of capitalism need not defend the acts of mercantilist governments, for capitalist philosophers and economists have exploded and opposed the doctrines of mercantilism since the beginning of the eighteenth century. Even today they are the bitter enemies of the modern expressions of mercantilist international relations.

The hostile attitude of the fathers of capitalism toward the existence of colonies can easily be recognised by the role they played in the American War of Independence. They were the friends of the colonists and insisted that colonial independence should be granted and maintained even after the War of 1812. Furthermore, has there ever been a more devastating critique of colonialism written than the one by Adam Smith in his famous *Wealth of Nations*? To attach colonialism to capitalism is an obvious absurdity.

The British Empire Transformed

Around the 1820s England was practically the only colonial power. The Spanish and Portuguese colonies had become independent and

the remaining French and Dutch possessions depended on the grace of the British Navy. But England, at this time, refrained from further expansion of her empire because British liberalism had begun to shape foreign policies. Capitalism fundamentally began to transform the British Empire into a market economy.

By the middle of the nineteenth century the British overseas settlers were virtually independent—enjoying a dominion status. All other territories dependent on British rule were governed according to open-door principles. Britishers, foreigners, and natives were treated alike. The British Empire became a vast free-trade area in which the British government merely undertook to maintain law and order.

Complete evacuation of all foreign territories would have been the logical solution for British liberalism. But such a step in almost all cases would have brought about anarchy, civil war, and famine in the colonies evacuated. India, for instance, would most likely have disintegrated again into a conglomeration of maharaja states fiercely fighting each other. The natives themselves, therefore, approved of British rule. This is clearly attested to by the fact that tiny occupation forces sufficed to maintain peace and order among natives outnumbering them immensely.

And yet in spite of her most beneficial administration, England today is reaping the bitter hostility of natives because of her policies of racial segregation. The British civil servants in their exalted positions among the natives seldom understood the temptation for social snobbishness and racial pride. This grievance on the part of hundreds of millions of

strength. To accuse capitalism for the existence of German colonies acquired by the Iron Chancellor Bismarck and his Kaiser is founded on neither fact nor reason.

In the case of territorial acquisitions by *Japan* and *Russia* the political conditions were similar. Omnipotent governments under their absolute sovereigns embarked upon colonial conquest under various pretexts. No matter what their stated reasons, Japan and Russia did not invade foreign countries because of pressure by conspiring businessmen, or to improve the lot of their capitalists whom they despised and taxed and whose property they nationalised. Neither the Czar nor the Mikado was a stooge of his subject bankers and merchants. Had they been advised by their businessmen, they would have learned that prosperity results from voluntary exchange, not from suppression and plunder.

Ambitious Administration

Also, the *American* acquisitions of dependent territories following the Spanish-American War of 1898 were clearly the doings of an ambitious administration. We need not enter into the question of who started the war. But we must bear in mind that the Spanish possession, Cuba, was a subject of American concern for most of the nineteenth century. President Grant even made an unsuccessful offer to buy Cuba.

President McKinley's ultimatum to Spain demanded that Spain evacuate Cuba; but in the peace treaty signed in Paris eight months later, Spain had to evacuate not only Cuba, which became independent under U.S. supervision, but also Puerto Rico, Guam, and the Philippines, which became colonial

territories of the U.S.A. Now what economic interests could American bankers and businessmen possibly have had in Puerto Rico, Guam, and the Philippines? Even today Americans can trade and investments in these territories remains insignificant. To blame American bankers and brokers for the conquests of a political administration that looked to Europe for guidance, is an outright misrepresentation of facts.

Open-Door Policy

Throughout this period *England* continued to conduct her open-door policies. While the other colonial powers more or less severed their territories from the unhampered world market through tariffs and other trade restrictions, England clung to free trade. At the outbreak of World War I, Great Britain and her colonies were practically the only unhampered part of the world market. Several times during this period Britain expanded her territorial control over underdeveloped areas merely to safeguard the world market and its international division of labour. Occupation by any other colonial power would have meant further destruction of world trade and aggravation of international relations through more trade barriers.

Britain Follows Suit

But towards the end of the nineteenth century the spirit of interventionist colonisation also came to Great Britain. It was the time of the Fabians and the growth of social conflict through socialist and neo-mercantilist ideas. "To solve the social conflict and to spare England a murderous-civil war, we colonial politicians must acquire new terri-

Asians undoubtedly contributed to the dissolution of the British Empire in Asia.

Expansion of Colonies

During the last three decades of the nineteenth century the colonies of the Western nations experienced an unprecedented expansion. France vastly expanded her empire in Africa, and Germany acquired dependent territories in Africa and Polynesia. Also Russia, Japan, and the United States occupied new territories in various parts of the world. In all these cases of colonial acquisition adventurous governments under various pretexts seized foreign territories against the interest and advice of business and finance in order to reap cheap glories and advantages for their own administration.

Take the example of *German* colonial acquisition. There is abundant proof that the German bankers and businessmen opposed as senseless every single occupation of colonial territories. Even after the Imperial Government had assumed their administration and established protection and benefits for colonial trade, German business remained disinterested. At the outbreak of World War I less than one-half of one per cent of Germany's foreign trade was conducted with her own colonies. And fewer than 25,000 Germans, most of whom were civil servants and their families, lived in the German colonies extending over one million square miles. Almost every major city in the world had a bigger German settlement than existed in all her colonies combined.

The German colonies were acquired by an interventionist government which constantly disparaged capitalism, and loved the display of its own political and military

ories which are to receive our surplus population.' This was Cecil Rhodes' excuse for his colonial conquests in South Africa; and his reasoning was socialist, if not Marxian. A liberal philosopher or economist finds no social conflict in capitalism, rejecting the Marxian doctrine of proletarian revolution and denying the possibility of exploitation in capitalism which, according to all our experience, improves the living conditions of the workers. He knows that capitalist countries are the desired targets of immigration; not emigration, as Rhodes believed.

Commonwealth System of Co-operation

Today the British Commonwealth is a 'system of co-operation' in which the member nations have pledged to grant each other 'preferential treatment' as to their protective tariff barriers. In this age of numerous trade restrictions the British nations grant each other 10 to 15 per cent relief from their tariff restraints. But tariffs are the least important means

of restriction at the disposal of modern government. The British Empire indeed has become an area of mutual trade barriers with insignificant tariff preferences for member states. And with every new trade restriction the dissolution of the Empire follows step by step.

It is a sad fact that the Asian and African nations who have gained, or sooner or later will gain, their liberation and independence, are animated by ideas of nationalism and other forms of collectivism. They despise and sneer at the Western concepts of individual liberty and capitalism. Encouraged by the West's own abandonment of capitalism and by the slogans of Communism, they hate and abuse the very system that offers the only solution to their poverty. To them, political independence offers an opportunity to confiscate and nationalise prosperous industries, to destroy their own currencies, to further disrupt the international divisions of production, and to introduce other anti-capitalist measures. The inevitable outcome of such a philosophy must be oppression, anarchy, and disaster.

National Economic Council For Pakistan

THE President has constituted the National Economic Council of Pakistan under Article 199 of the Constitution. It will consist of eleven members, with the Prime Minister, Mr H. S. Suhrawardy, as *ex-officio* Chairman.

From Inquilab, Karachi

The Labour Market

Translated from an article by JACQUES DUBOIN

A CONSIDERABLE number of our fellow-men live only on condition that they 'earn' their living. Which means that they supply to somebody the work of their hands or of their brains, and that this somebody supplies them in exchange with the money which allows them to live. So this first group *sell* their work to others who *buy* it. Thus there exists what is so elegantly called 'the labour market', just as we speak of the egg market, the poultry market, the horse market, etc.

The only people who buy the work of their fellows are those who need it to earn money for themselves. Thus it is decreed by our wonderful economic system of *prices-wages-profits*. When the buyer of human work has more than he needs, he dismisses the worker, who comes back on the labour market in the hope of finding a new buyer, who will allow him to go on living.

And suppose he does not find one?

No Buyers?

On another market the farmers show their work in the form of corn, milk, butter, meat, wine, etc. They are looking for buyers of these goods and will receive from them the money they need in order to live. And what if they do not find buyers?

Then they barricade the roads or invade local government offices,

until the State buys from them their 'surplus' goods.

What this means is that the farmers make the State, that is the community at large, pay for their time lost in producing unsaleable goods.

Can anyone see any real difference between the worker who cannot sell his work and the farmer who cannot sell his crop? Then why shouldn't the State buy the 'lost time' of the first group just as it buys the 'lost time' of the second?

Long Live Machines

Ever since the appearance of 'technological unemployment', it would seem that the workers have every right to say to the State: since production does not need our work any more, it is because the goods that our work might have produced already exist—so give us some of them! Give us the money needed to buy them!

If machines are doing our work instead of us, long live the machines—on condition that they let us live!

Alas, this is not yet understood either by 'distinguished' economists or by Trade Unionists (also 'distinguished'). The latter have been proclaiming for a hundred years that 'We must end the exploitation of man by man'; but as soon as technology puts an end to this exploitation, they hastily make efforts to 'reclassify' the workers so that they can go on being exploited. . . .

From 'La Grande Relève', January 5, 1957

On the other hand, Mr Nehru's visit to the President does not seem to have had great economic success. The President believes personally in Nehru but the State Department understand the difficulty of reconciling a close association with India with co-operation with Pakistan. Pakistan is the eastern pillar of the Baghdad Pact. Westward in Iraq there are fears for the loyalty of Nuri's Officer Corps. Now that Russia is digging in in Syria there

Communism

Orders have gone forth to the Communist Parties in the Western world to concentrate for a while on industrial disputes and domestic grievances. Then may 'respectable' support be enlisted and the workers helped to forget about Hungary.

Behind The News

EDITED BY 'HYDASPEUS'

Cabinet Making

Misfortune, according to his friends, Nemesis according to his enemies, has overtaken Mr R. A. Butler. It was clear that the longer Sir Anthony Eden remained Prime Minister the better were the Lord Privy Seal's chances of stepping into his shoes, and that if Sir Anthony surrendered the seals while the memory of Suez and Mr Butler's reputed attitude to the intervention in Egypt was fresh in men's minds his eclipse would be certain.

If for 'Rab' it was a case of westward the land being bright, Mr Macmillan's Cabinet is one in which the Chancellor of the Exchequer, the Minister of Defence and the Premier himself have been to the forefront in various organizations for the advancement of European Unity. Mr Selwyn Lloyd has been only recently initiated into the European cult but his retention at the Foreign Office shows that the Macmillan Administration has not accepted the 'Dulles Doctrine' on British and French motives and actions in the Middle East.

Bombs and Allies

The new British Ambassador in Washington has not yet been able to talk freely with President Eisenhower and it is Saudis and suchlike who are as we write being made welcome in Washington. The Macmillan Government will strive however for a reasonable Anglo-American relationship. Having once tested her Hydrogen Bomb, Britain will enjoy greater independence within the Alliance, and it is expected that

Mr Duncan Sandys, the Minister of Defence, will resist any temptation to include the thermo-nuclear weapon in his economy cuts.

It is misleading to describe 'Middle Way' Macmillan either as Right Wing or as a prisoner of the Suez Group. The latter embraces a variety of opinions on social and economic questions and if its members have Imperialism in common Imperialism has historically been Radical, not Reactionary.

Through the Curtain

One of the economic difficulties of the Kadar regime is that Poland has preferred to sell coal to the west rather than to Hungary. This and the United States loan to Poland comes at a time when the Soviet Empire is able to establish a gold standard—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—to develop a multilateral trade system within its area of control and even to envisage co-operation with Wall Street and the City of London.

Gold Blocs

Mr Herter addressed the Chicago Council on Foreign Relations last spring on the co-ordination of United States with Soviet Foreign aid, and visionaries in Washington have urged the use of the dollar and rouble resources of the two gold blocs to back a world settlement resting on the U.S.A., the U.S.S.R. and the Bandung Powers including China.

Readers' Commentary

On 'Behind the News'

FROM W. A. NARBETH, Walton on Naze.

Mr Hawkins should realise that the ECONOMIC DIGEST has some forty pages. If he finds thirty-eight to his liking he should not object to two not to his liking.

I find the two pages by Hydaspheus very good and contain facts that badly want saying, and he should be congratulated for having the pluck to say them.

Mr Hawkins should realise that other persons may have different

opinions to his, and they may be right.

FROM J. JENKS, Henley-on-Thames.

Like Mr Hawkins, I could wish that 'Hydaspheus' had not felt impelled to display his party loyalties quite so obviously on a recent occasion. But while I do not expect to agree with 'Hydaspheus' on every point (who could?), I certainly hope he will continue to adorn the pages of ECONOMIC DIGEST, as he did those of *Rural Economy*.

CLASSIFIED ADVERTISEMENTS

(RATE: two shillings per line.)

BOOKS AND PUBLICATIONS to November 1949. Details to Economic Digest Ltd., 30 Baker Street, W.1.

New Books on International Affairs—An International Bibliography prepared fortnightly by Humanitas Books Limited. Free, world-wide and up-to-date information regarding publications in the fields of Economics; Sociology; Politics; International and Current Affairs; Law; Finance; Commerce. Write for specimen copy to: Humanitas Books Limited, 3-4 Goodwin's Court, St Martin's Lane, London, W.C.2.

EDUCATIONAL
St. Godric's Secretarial College, 2 Arkwright Road, London, N.W.3. HAMpstead 5986/9831. St Godric's is open to residential and day students from home and abroad. There is a full and active social life and there are opportunities to meet and make friends with girls from all parts of the world. The high standard of St Godric's training is recognised by employers throughout the country. Apply to J. W. Loveridge, M.A. (CANTAB.)

WANTED. Copies of ECONOMIC DIGEST for July, August 1948, also September

Land & Liberty

For Personal Freedom

A monthly journal (established 1894) dealing with economics, politics, philosophy, taxation, international trade, social problems, etc. Completely new and attractive format—subscription reduced. Now 6d. or by post 8s. per year. May be ordered through newsgagents or direct from publishers who will be pleased to send a free specimen copy.

LAND & LIBERTY PRESS LTD
4 Great Smith Street, London, S.W.1

Digest Reviews

OIL AND POWER

The Middle East, Oil and the Great Powers, by Benjamin Shwadran. Atlantic Press; 42s.

Recent events have heavily underlined the importance of oil in the economies of all industrialised countries. In this five-hundred-page book, the author gives a complete account of the development of oil in the Middle East covering the past fifty-five years which has a particular significance at this time. It is a complex story, dealing as it does with the rivalries between great powers, the intense competition between rival oil companies, and the impact on the backward and illiterate peoples of the Middle East countries of vast amounts of money paid in royalties.

Mr Shwadran, who has spent many years studying the Middle East, brings to light many interesting and hitherto unknown facts about behind-the-scenes negotiations. It is clear from his observations that, generally speaking, the oil companies have not been over-generous in the terms they have made with the peoples from whose territories the oil has been extracted, and that this is a considerable factor in the unrest which now dominates the area. At the same time, far too much of the revenue received by these territories has been squandered by the ruling cliques, and too little used for general development and welfare of the communities concerned.

But this is by no means the whole story, and it is equally clear that the attempt which has been made to push forward the introduction of western ideas has added consider-

ably to the stresses and strains and to the conflicts which now afflict the area. This is a book full of useful information for all who wish to understand and appreciate the background of present difficulties in the Middle East. It is well written and holds the interest of the reader, in spite of the complexity of the subject.

ISAAC AND ISHMAEL

Israel and her Neighbours. Lectures delivered at Brandeis University, Waltham, Massachusetts, in April-May, 1956. By Eliahu Elath. James Barrie Books Ltd; 5s.

The term 'anti-Semitism' is sometimes misused to describe the hatred of Arab for Jew. These lectures by one who is not only an unassuming but most capable diplomat but a humane scholar with an affection for that other People of the Book, the Arabs, bring out the common Semitism which has been obscured by the Middle East tragedy of our time. Mr Elath has been a student of Bedouin society and it is the problems of the nomad in a period of nationalism and national frontiers to which the third of these lectures is devoted. Some Bedouin are now Trans-Arabian Pipeline.

The first lecture is concerned with Israel's basic population problem. The Jewish State now moves immigrants from 'Ship to Farm', thus saving the time and expense involved in the use and maintenance of Reception Camps and *Maabaroth* (temporary transitional immigrants' settlements). A system of *Ulpanim* or evening schools has been designed to assimilate the variety of new citizens, 50 per cent of whom are now of Asian or African origin. Mr Elath assures us in this lecture that Israel's Arabs

enjoy full citizenship rights and educational facilities.

The Israeli Ambassador's second lecture is a more general survey of Israel and her Arab neighbours. Mr Eliath suggests that even in Iraq, where the oil revenues have been better husbanded than in other Arab States, there is a danger that technological development will outstrip suitable social legislation and educational work, so that the general progress of the country, and especially that of the mass of fellahim living on the land may not be greatly advanced.

ICONOCLASTS

From the Other Shore and The Russian People and Socialism, by Alexander Herzen: with an Introduction by Isaiah Berlin. Weidenfeld and Nicolson; 15s.

Russia Leaves the War, by George Kennan. Faber and Faber; 50s.
St Antony's Papers, No. 1. Soviet Affairs, No. 1. Chatto and Windus; 12s. 6d.

It is easy and common form today to reject Utopia and question the inevitability of human progress. Herzen's *From the Other Shore* is the more arresting because it was written in the mid-nineteenth century when the rapid onward march of liberty and prosperity was thought by many Westerners to be almost certain. Herzen bitterly mistrusts those who presume to impose on others a system or an ideology they hold will do them good and what he writes about 1848, the Year of Revolutions, is still salutary.

His Open Letter to Jules Michelet on 'The Russian People and Socialism' is also topical although Herzen erred in supposing that Russia would never 'stage a revolution with the sole aim of ridding herself

of Tsar Nicholas only to replace him by a multitude of other Tsars'. We may however echo his question: 'Is it still possible for Europe . . . to find within itself the strength to bring about its own recovery?'

Weidenfeld and Nicolson are to be congratulated on making conveniently available the writings of men like these whose ideas are too little known.

Mr George Kennan, to whom is ascribed the concept of the 'containment' of Communism, is well known for his brilliant studies in American diplomacy. He has now essayed a major historical work. *Russia Leaves the War* shows a more detached attitude in Washington to the Bolshevik Revolution than that of the European Powers. That is what we should expect. On the other hand, 1917, year of Wilson and Lenin, was a year in which the present polarity of world power was foreshadowed by the emergence of two dynamic forces, the liberal-internationalism of the United States and Russia's revolutionary expansionism. What are now the two chief actors on the world stage later withdrew into the wings. Wilson and his ideas suffered eclipse; aggressive Bolshevism was beaten back from the gates of Warsaw in 1920. Even before 1917 however the farseeing could glimpse a world eventually to be overshadowed by two continental empires and this scholarly study in Russo-American relations has a particular fascination now that the world is in danger of being divided between them. The successors to this volume will be eagerly awaited.

The first series of papers from St Antony's College, Oxford, includes an essay on economics as studied in Soviet Russia. Other contributions are of historical interest and recent

events have given topical importance to what Colonel Geoffrey Wheeler has written about Soviet policy towards Islam within and without the frontiers of the U.S.S.R.

GLORIOUS ISLANDS

The Building of Malta, 1530-1795, during the period of the Knights of St John of Jerusalem, by J. Quentin Hughes. Alec Tiranti Ltd.; 42s.

Rather like British withdrawals in the Middle East in recent years the Knights of the Order of St John of Jerusalem retreated from Palestine through Cyprus to Malta. The Order was a fighting personification of Western Christendom and European civilisation. The Union of Malta with Great Britain will be not only an act of Imperial consolidation, a gesture to the world that Britain remains in the Mediterranean, but also an earnest of new links being forged or renewed between Britain and European neighbours whose civilisation she shares.

Much of Malta's culture descends from the Knights who in their day brought prosperity to the Islands, whose population grew greatly despite the recurrent plague and famine. The splendid churches which adorn Maltese parishes by no means rich in material goods remind us of the prosperity and piety of the Knights who attracted noted architects and skilled engineers and evoked a not inconsiderable indigenous genius.

An easy prose style and many photographs make this book no less enjoyable than instructive.

FOR STUDENTS

Economics for Students, by Leo T. Little. A Jordan Publication; 18s.
This is the fourteenth edition of a

useful textbook intended mainly for those studying for the examinations of professional and technical bodies. It is comprehensive in its scope, and the author, who is editor of *Accountancy* and joint editor of *Accounting Research*, has brought the text right up to date. There are some selected questions reproduced at the end of the book taken from recent examinations set by some professional and commercial bodies.

Central Banking after Baghot, by R. S. Sayers. Clarendon Press; 18s.

The author has collected together a number of lectures which he has delivered to students and bankers since 1948, and these are presented in book form in response to requests. Subjects covered include open-market operations, bank rate, the volume of bank deposits, central banking in under-developed countries and the New York money market.

LIFE AND MONEY

Economics and Life, by H. D. Chataway. The Ryerson Press (Toronto); \$3.50.

Dr Chataway traces the development of modern economics from earliest times to the present day, from the comparative simplicity of tribal life to the complexities of present-day industrial and financial development. He criticises the orthodox approach to financial policy in both the internal and international spheres. He considers that governments have the duty to keep watch on the nation's economic pulse, prepared continually to inject more or less money into its lifestream, according to need. He summarises his proposals for reform in an appendix.

WAR-TIME FINANCE

Financial Policy 1939-45, by R. S. Sayers. *H.M.S.O. and Longmans*; 37s. 6d.

The author of this important work has had unlimited access to Treasury Papers, and has produced an interesting and very readable account of the policies evolved in Britain between 1939 and 1945 to deal with the immense problems which arose in those years in the sphere of financial policy. He traces changes in budget policy, the controversies over rates of interest and the decision to make it a 'three-per-cent war', the dollar problem and the introduction of 'lease-lend' and he shows how these factors cast their shadows into our peacetime economy.

Finally he shows how Britain finished the war as 'the greatest debtor in the history of the world'.

BRITAIN UP-TO-DATE

The Post-War Condition of Britain, by G. D. H. Cole. *Routledge and Kegan Paul*; 40s.

Professor Cole has brought together a mass of information and statistics on the economic and social conditions in post-war Britain up till 1955. His original book on this theme, entitled *The Condition of Britain*, was published in 1937, but, as he points out in the introduction to the present work, the twenty years which have elapsed since the first volume was produced have changed the scene considerably; problems that were acute then have now receded into the background or disappeared, and many new problems have replaced them.

This book is therefore an entirely new work. It is written in reasonably simple language, and contains over two hundred tables on such

matters as the national income, employment, production and consumption, the balance of payments, taxation and education.

DEVELOPING ASIA

Development for Free Asia, by Maurice Zinkin. *Issued under the Auspices of the Institute of Pacific Relations. Chatto and Windus*; 21s.

This book is easier to read than many of its kind. It examines the losses and gains (Mr Zinkin holds that greater material prosperity means fewer saints), the means and consequences of the economic development of non-Communist Asia. If parts are platitudinous, the reader will persevere, for Mr Zinkin's style is simple, light and engaging.

CONSTRUCTIVE COLONIALISM

The Commonwealth in the World Today. Edited by John Eppstein. *The British Society for International Understanding, Benjamin Franklin House, 36 Craven Street, London, W.C.2*; 4s. 6d.

Mr John Eppstein and the British Society for International Understanding are to be congratulated on their success in making the Commonwealth and the Colonial Empire better known to Servicemen, students and others.

This is a very concise and convenient handbook, fairly and dispassionately written.

SHORTER NOTICES

Introduction to Keynesian Dynamics, by Kenneth K. Kurihara. *Geo. Allen and Unwin*; 21s.

This book provides a compact study of macro-dynamic analysis and in particular of the two outstanding 'post-Keynesian' developments in the fields of dynamic

theories of cyclical fluctuations and secular growth analysis. The author concludes that 'it is economically sound and perhaps politically sensible to narrow the existing gap between the under-developed and developed areas of the world by making the saving propensities of its "capital-rich" members compatible with the development needs of its "capital-poor" members.'

Plant Location in Theory and Practice:

The Economics of Space, by Melvin L. Greenhut. *North Carolina University Press; London: Oxford University Press*; 60s.

The author examines the transition from the purely competitive approach of the nineteenth and early twentieth century theorists to the monopolistically competitive locational framework of today.

Barriers to New Competition: Their Character and Consequences in Manufacturing Industries, by Joe S. Bain. *Harvard University Press; London: Oxford University Press*; 45s.

Mr Bain reports on the empirical findings of a cross-sectional study of twenty industries. In particular he focusses on the 'condition of entry', or the relative ease or difficulty of the entry of new competitors to an industry. He also puts forward his recommendations for a more effective anti-trust policy.

Atomic Weapons and East-West Relations, by P. M. S. Blackett; 8s. 6d.

In this review of Western military policy and the atomic arms race, Professor Blackett contends that the extreme anxiety shown by the West has been due to faulty military and political thinking which has in turn resulted in serious errors of judgment. He makes a plea for a new

Industry and the State

PROF. P. SARGANT FLORENCE
[10s. 6d.]

'The student and the uncommitted will be grateful to Hutchinson's admirable University Library and to Professor Sargent Florence for a wise and temperate analysis
Altogether, a model of compression, learning and reason, which should help many students to degress and many bigots to understanding.'

THE BIRMINGHAM POST
JUST OUT

Hutchinson
UNIVERSITY LIBRARY



estimate of our needs in the present position of atomic stalemate between East and West, instead of the repetition of resounding phrases based on outdated policies.

The Choice, by Guy Enock. *Marshall Morgan and Scott*; 12s. 6d.

The author condemns the mad scramble by the nations for increasing armaments, bigger and better weapons of destruction, and the increasing use for these purposes of the raw material and the brains and abilities of scientists, engineers and producers of wealth. He urges that an alternative to the present pre-occupation with weapons of war presents itself by nations accepting the true implications of Christian teaching.

FOR REFERENCE

Items in this Section will be kept for one year. Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply, citing the appropriate number or numbers (given in brackets after each item).

Ghana

The Volta River Project; What it Means to You.

A popular account addressed to the Gold Coast people by their Prime Minister, Mr Kwame Nkrumah. (904)

India

- (1) *The National Sample Survey, Number 4. Special Report on the Survey of Persons in the Live Register of the Delhi Employment Exchange.* (905)
- (2) *The National Sample Survey Number 7. Couple Fertility.* By Ajit Das Gupta, Ranjar Kumar Som, Murari Magumdar and Samarendra Nath Mitra. With a foreword by P. C. Mahalanobis. (906)
- (3) *The National Sample Survey Number 8. Report on Preliminary Survey of Urban Employment, September 1953.* With a foreword by P. C. Mahalanobis. (907)

All issued by the Department of Economic Affairs Ministry of Finance, Government of India.

European Reports

- I. *The Present State of Economic Integration in Western Europe. Report by the Research Directorate of the Secretariat-General of the Council of Europe.* Strasbourg, May, 1955. (908)
- This Report is again topical because of the various moves now

being made to achieve a close economic unity in Europe.

- II. *Economic Conditions in Ireland and Portugal. Organisation for European Economic Co-operation, Paris.* (909)

British Bottlenecks

Solving Traffic Problems—II. Plans for Britain. Political and Economic Planning, 16 Queen Anne's Gate, London, S.W.1. Vol. XXII. No. 404, 3rd December, 1956. 2s. 6d. (910)

A valuable contribution to the set of problems which will return with renewed force when petrol rationing is over.

Turkish Case

- I. *Turkey and Cyprus. A Survey of the Cyprus Question with Official Statements of the Turkish Viewpoint.* Press Attaché's Office, Turkish Embassy, London. (911)

- II. *The Turkish People of Cyprus by Adrian Seligman.* Press Attaché's Office, Turkish Embassy, London. (912)

Two most attractive, illustrated statements of the claims of Turkey and the Turkish Cypriots.

Coal to the Rescue

British Coal: The Rebirth of an Industry. The National Coal Board, Hobart House, London, S.W.1. (913)

A rosy picture of the achievements and prospects of the National Coal Board are introduced by its Chairman, Mr James Bowman, whose genial face, pipe in mouth, provides the frontispiece to this handsome brochure.

Sudan Census (continued)

The Republic of Sudan Ministry for Social Affairs. Population Census Office. First Interim Report. (914)

ENVOY

the new monthly pictorial magazine

founded by

V. K. KRISHNA MENON

to promote friendship between INDIA and BRITAIN

AMONG 'ENVOY'S' CONTRIBUTORS ARE:

BERTRAND RUSSELL : K. M. PANNIKAR

KINGSLEY MARTIN : JOHN BIGGS-DAVISON

VERA BRITTAIN : EMILY HAHN

KATHLEEN NOTT : STEPHEN GARVIN

HERBERT MARSHALL : RANI SINHA

V. ANANT : R. PRAWER JHABVALA

1s.

Obtainable from all newsgents

Annual subscription: 14s. 6d. (post paid)

TO INDIA AND BRITAIN PUBLICATIONS LTD, 48 STRAND, W.C.2.

MIDLAND BANK LIMITED

LORD HARLECH ON HAZARDS CONFRONTING MANAGEMENT

The One hundred and twenty-first Annual General Meeting of Midland Bank Limited will be held on February 15 at the Head Office, Poultry, London, E.C.

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

The average of our deposits over the year has been very slightly below the level of 1955 and advances too, on the average, have been appreciably lower. Although 1956 was not an expansive year banking profits tended to increase. The direct effect on earnings of the decline in the average level of advances and in the investment holding would in any event have been largely offset by the fact that, in the structure of rates ruling over the past two years, the yields on short-term liquid assets have risen relatively to those on other assets. In addition, however, the whole range of rates was lifted on to a higher plane by the one per cent rise in Bank rate early last year.

Our larger trading revenue was partly absorbed by higher salaries and other running costs. Unfortunately, it cannot be said that stability of running costs has yet been established, while the business outlook is not, on the whole, so reassuring as to support an assumption that recent banking experience as regards bad and doubtful debts will be extended indefinitely.

ECONOMIC DISTURBANCES

No one could describe 1956 as 'a good year'. In the first half there were signs that the national economy was moving in the right direction, but the second half was marked by a sharp check to the advance towards a firm equilibrium. Once again the authorities had to resort to extreme measures to cope with an emergency that threatened to overstrain inadequate resources. Altogether, a year in which interest rates were lifted on to a still higher level, tax burdens further increased, a scheme of Government prize bonds introduced as an incentive to saving, capital investment restricted and hire-purchase controls widened and stiffened, petrol rationing reintroduced, arrangements made for fresh borrowing abroad, and a waiver of interest sought on Government debts in the United States and Canada—such a year could not be regarded otherwise than as revealing once again the narrowness of the margin of resources upon which the United Kingdom economy has been working ever since the end of the war.

PROBLEMS OF PLANNING

It seems often to be assumed that 'planning' is the simple answer to the problem of economic instability, whereas in practice the timing and balancing of plans, in such a way as to ward off or allow for economic fluctuations, is a most delicate and difficult operation. This is true for both government and business. A prerequisite of successful economic policy is full knowledge of the facts, obtained in time to prompt any corrective action that may be found necessary. In this respect remarkable progress has been made, and the Government is now better equipped for its new responsibilities than it ever was.

Non-statistical information, particularly the day-to-day knowledge and impressions of people close to the fields of operation, may sometimes be of greater

[continued on facing page

practical help than the bare statistics in detecting a turning-point in the course of affairs. A government authority concerned in such matters should take steps to ensure constant sensitiveness to the 'feel' of things, especially as to the development of business plans concerning capital expenditure and stocks, the prospective course of prices, sales, orders on hand and so on. It is important, too, that the authorities should be fully aware of changes that may be taking place in the structure and processes of business—changes that may be important in relation to the working out of an effective monetary policy. Even when all is known, or can readily be discovered, there remains the need for judgment.

Without balance, the availability of data about some aspects of a changing situation may attract too much attention to arithmetical tests of success or failure in monetary policy. In recent times, for instance, there has been a tendency to regard any reduction of bank advances, or any contraction of bank deposits, as something desirable in itself or as proof of something having happened that is helpful to the re-establishment of a healthier condition in the national economy. In some circumstances, however, if the facts were examined, a diminution of either deposits or advances might represent little or no curtailment of the liquid resources being used in current business and little or no diminution of the flow of public and private spending. This would be so, for example, if money which had long been standing on a deposit account at a bank were placed in Treasury bills, or if money previously held by a private individual with a bank were deposited with a hire-purchase finance company and applied by it to reducing its bank overdraft. Both of these processes have occurred within the past two years under the influence of high interest rates and the credit squeeze.

HAZARDS OF PRIVATE BUSINESS

A high level of business activity in general does not afford a guarantee that any particular branch of industry and trade, or any particular business undertaking, will be maintained in full prosperity. Moreover, the maintenance of steadiness in the economy as a whole, for which governments have responsibility, calls for measures which themselves may prove highly disturbing to particular industries or undertakings.

Many of our customers, in both manufacture and distribution, have been affected with more or less severity by the successive steps taken in the field of hire-purchase control. Typical among them was the experience of an undertaking which, following the removal of those controls in 1954, had expanded its productive capacity, introduced new models and built up its stocks of materials and components correspondingly, to find itself suddenly confronted with all the problems arising from a sharp contraction of demand for its products.

In many undertakings the impact of hire-purchase restrictions has been added to by the raising of rates of purchase tax. One, for example, had to report to its shareholders three distinct blows: first the restriction by nationalised industries, heating and cooking appliances; secondly the reimposition and stiffening of hire-purchase controls; and thirdly the increase in rates of purchase tax and extension of its range to bring in articles previously tax-free.

Variations in the enforcement of capital issues control have been another source of disturbance of business plans. Many examples could be given of prospects of business expansion having to be set aside because of unforeseen inability to raise the required financial resources. Business is still a venture; and a national policy of 'full employment' does not remove the element of risk from the conduct of business undertakings large or small.

The Statement concludes with an account of the system of 'internal communication' within the Bank.

Message from the French Ambassador

THE ever-increasing space devoted by the British press to the question of European organisation is a sign of the times, and, for the Continental nations, an encouraging one.

For centuries, the countries of Western Europe were regarded as the leaders of the universe. Today, in a world which is often hostile and which is burdened with tremendous problems, they are growingly conscious of the need for ever closer association if they are to continue to play the part to which they are entitled, not only by reason of their historical greatness, but because of the values they represent, of their spirit of initiative and of the wealth of their talents.

The need for such an association may not always have been felt as strongly in Great Britain as on the Continent. Yet, the peoples of the Continent, and the French in particular, do not believe that modern Europe, the younger Europe of tomorrow, can be built solidly unless Great Britain is closely associated with the common task of construction. That is why the French—the traditional allies of the British for their common defence—welcomed

with particular satisfaction the announcement made a few months ago by the British government, stating that it was ready, in the all-important field of economy, to link itself with its European partners within a free trade area.

The difficulties to be overcome will indeed be great. There are, between the European countries, frontiers which are not only geographical, and which protect ancient and respectable interests. There are some amongst these countries which have commitments or establishments in other parts of the world. It is for Europe to accomplish its revolution without breaking traditional links and without harming legitimate interests.

We are well aware of these difficulties and we know that they will be overcome in so far as our countries will have faith in their task and will understand what is at stake. It is gratifying to think that a serious and well-informed review like the *ECONOMIC DIGEST*, by acquainting its readers with the elements of the problems facing Europe, is making a valuable contribution to the clarification of these problems.

G. CHAUVEL

LLOYDS BANK LIMITED

CONTINUED EXPANSION

The annual general meeting of Lloyds Bank Limited will be held on February 15 at the head office, 71 Lombard Street, London, E.C.

The following are extracts from the statement by the Chairman, The Rt Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E., circulated with the report and accounts for the year 1956:

The profit for the year at £2,541,793, is £219,354 higher than last year and we propose a dividend of 13 per cent per annum, an increase of 1 per cent compared with 1955. I warned you last year that a further rise in operating costs must be expected; this in fact happened, with substantial increases both in staff costs and in all other items of expenditure. Our business in general continues to expand year by year, as evidenced, for example, by the growth in the number of accounts. We are, therefore, vitally interested in the possibility of devising more economical methods of working. Two of our officials have recently visited the United States to investigate the progress made in that country in the field of electronic book-keeping; I am sure it is in that field that we must seek an answer to the problem of continually rising costs, but a rapid start must not be expected.

Throughout the year, our lending operations have been governed by the principles of the so-called 'credit squeeze' initiated by the Chancellor's appeal for credit restraint. In June, 1955, our normal advances to domestic customers, falling within the purview of the Chancellor's directives, amounted to £298.5 millions. By December last their total had been reduced to £278.4 millions. This contraction masks a substantial increase in our lendings to customers in a group of industries—engineering, iron and steel, shipping and chemicals, whose contribution to exports and to the strength of the economy in general has justified larger borrowings from the banking system.

These figures relate only to part of our total business; they do not include advances to the nationalised industries, nor the lendings of our twenty offices in India, Pakistan and Burma. They also exclude medium-term credits extended to overseas buyers to enable them to purchase capital equipment manufactured in this country.

Such credits have been given to assist the export of capital equipment for such projects as power stations, railways, steel works and hydro-electric schemes overseas, and in some cases this has enabled British manufacturers to secure valuable contracts that would otherwise have gone elsewhere.

THE NEW PHASE

It is clear that the events in the Middle East have opened a completely new phase in our economic affairs. The situation we face is a complex one, calling above all for flexibility and resolution. One overriding principle alone is certain; it is that we must seek to emerge from this temporary period of difficulty with our ability to achieve our long-term objectives unimpaired.

We have to maintain the position of sterling as a world currency, fully viable on the basis of existing rates of exchange. This in turn means that we must maintain and improve our position in export markets. We must also be prepared during the emergency to draw upon the reserves to pay for necessary food and raw materials. Only so can we hope to achieve our second and parallel objective, which is to maintain a high level of production and employment. We must be thankful that the reserves now seem large enough to permit these two objectives to be reconciled—but also resolute to use the respite given to produce a lasting consolidation of the position.

SWISS HOTEL-PLAN

HOLIDAYS BY AIR AND RAIL

Prices include accommodation
Weekend night flights or rail

7 days from:	By air	By rail
Switzerland	£26 2 6	£18 0 0
Germany	£24 2 6	£16 0 0
Austria	£25 17 6	£17 17 6
Italy	£29 12 6	£21 0 0

Similar arrangements for other countries

Typical 8-day holidays (by rail)

Holland	£13 17 6
Belgium	£9 12 6

Paris, for the weekend, £11 0 0

Write for your copy of 'The 5 Delights'

HOTEL PLAN LTD

62 Church Place, Jermy Street, London, S.W.1.
(Member of A.B.T.A.)



**HOTEL
PLAN**

Message from the Federal German Ambassador

I SINCERELY welcome the idea of a Special European Number of the ECONOMIC DIGEST, in particular because a mere decade after the last war we find ourselves on the threshold of a new era of economic integration in Europe, which in its sincerity of intention and boldness of planning is unequalled in the history of the old Continent.

I am happy to see that Her Majesty's Government has undertaken to play a leading part in these plans and I have no doubt that this initiative will have the most encouraging effect on Governments and Peoples in all countries of Western Europe.

I strongly believe that these plans once realised will not only bring about a greater prosperity and development for the nations concerned, but will also draw these countries closer to-

HANS VON HERWARTH

ECONOMIC DIGEST LIMITED

To our Subscribers,

The Ditchling Press, who print our journal, notified us that during the month of February they were undertaking major extensions to their works, and that some delay was likely in the production of ECONOMIC DIGEST for the month of March.

We had planned the March issue as a SPECIAL EUROPEAN NUMBER, and in view of this difficulty we decided to bring out a double number covering the months of March and April. We hope readers will find this of particular interest, having regard to the revolutionary proposals for European economic unity now under discussion.

We are privileged to publish messages from both the French and Federal German Ambassadors welcoming this SPECIAL EUROPEAN NUMBER.

OIL

Keep in touch with developments and changes always taking place in the international oil industry by reading the

PETROLEUM PRESS SERVICE

A monthly journal of information and comment, published in English, French, Spanish and Arabic.

£2. 10. 0 a year post free. Air mail edition, postage extra. Terms to the Press, including reproduction rights, on application.

Write for free copy of the latest number to:-

PETROLEUM PRESS SERVICE

93 Bishopsgate, London, E.C.2
London Wall 2550