

The 'Macmillan Report' Out-dated

Continued from the March-April Issue

Domestic Policy

Although time and again since the war the international objectives of Britain's monetary policy have forced themselves to the front—preservation of the existing parity of the pound, progress towards 'convertibility' and ultimately the removal of exchange controls—the idea has embedded itself firmly that the pursuit of external aims must always be reconciled with the accepted responsibility of Government to maintain 'a high and stable level of employment'. Associated with the high level of business activity that has in fact been maintained, in this and other internationally influential countries, domestic policy has been concerned since the war, not—as in the period 1924-31—with the repressive consequences of a falling price level, but with the corrupting effects of currency depreciation. The tendency, even now not finally arrested, has been for the purchasing-power of currencies to be bit by bit whittled away. In Britain as elsewhere, the new alignment between domestic and external monetary policy has yet to be confirmed by the achievement of sustained economic equilibrium, expressed partly in stability of the value of the currency both at home and abroad.

Scope of Policy

The meaning of 'monetary policy',

From Midland Bank Review, February 1957

in the sense of action rather than objects aimed at, has been broadened, to embrace not only things done by the central bank, as described in the Macmillan report, but also things done by the Government. This follows naturally from the responsibility, already mentioned, accepted by Government. It follows also from the Government's broad authority over vast nationalised undertakings with huge capital investment programmes, from the influence it exerts upon the actions of local authorities, and from the greatly expanded scale of its own operations as the provider of, among other things, enlarged social services.

Accordingly, fiscal measures, as well as management of the public debt and the raising of capital for public authorities and undertakings, have all to be brought within the compass of a broad-based monetary policy. The Treasury, the National Debt Commissioners and the central bank all have some part in shaping the course of events according to a comprehensive programme. In particular, taxation takes its place alongside Bank rate and 'open market operations' as an instrument of monetary policy.

Means of Policy

The old-established instruments of policy, of which officially provoked changes in the level and pattern of interest rates were the heart and centre,

fell into disuse in the period between 1932 and 1951. Latterly they have been brought back into use, though the *modus operandi* is in many ways different and their efficacy has become more debatable.

In course of time, however, several new instruments of policy have been devised. One of them is the exercise of official power, conferred by statute, over borrowing operations and the raising of new capital, which may be allowed freely or subjected to selective permission or prohibition according to judgment of the individual case. It is in this setting that, with seventeen years of continuous operation, a new agency of policy, the Capital Issues Committee, has become firmly established. Apart from the provision of long-term finance in its many forms, the authorities have practised parallel regulation of the provision of short-term credit through the banks. The regulation has until recently taken the form of qualitative selection based in general upon the purpose for which the particular borrowing is sought. Lately it has assumed also a quantitative form, embodied in the terms of the 'credit squeeze'. The regulation thus exercised is in a sense informal; but it is supported by statutory powers vested in the Treasury and the Bank of England, which so far have been held in reserve.

Credit Control

Arrangements like these were unknown to the Macmillan Committee. They are a product of later ingenuity, fostered by the requirements of war and the pledged purposes of Government, in the economic field, after the war. They are not all; for the Government has also added to its armoury the means of controlling a particular form of credit which is

used in far greater volume today than twenty-five years ago. It has, when thought necessary, laid down a minimum proportionate cash payment and a maximum term of instalments for any hire-purchase transactions covering prescribed categories of goods. Lately some extension of this form of regulation has taken place, and a new approach is pending. In response to demand for hire-purchase credit facilities, the number of finance companies specially designed to operate in this field has multiplied many times over, and the scale of their business has vastly increased. The Government is now promoting legislation, not only to replace existing emergency powers in respect of hire-purchase agreements, but also 'to regulate borrowing by hire-purchase finance companies'. Here again is something with which the Macmillan Committee was not troubled.

Structure of the Financial System

The Committee was, nevertheless, concerned about an apparent lack in the financial system which later came to be called the 'Macmillan gap'. Its enquiries had brought to the front the difficulty encountered by smaller and medium-sized undertakings in finding capital for development, and remedial proposals were put forward. Fourteen years later the Industrial and Commercial Finance Corporation was established, with official blessing and banking support, and today the Corporation is an important element in the financial structure, along with several private projects having similar purposes.

At the same time another financial undertaking, the Finance Corporation for Industry, was set up to aid in financing the reconstruction and development of larger, basic indus-

tries, and that too has taken an established place in the machinery of capital provision. Other capital-financing bodies, like the Commonwealth Development Finance Company and the Ship Mortgage Finance Company, have been set up, with or without official encouragement, for special purposes. All these are post-Macmillan foundations, collectively important in their bearing on monetary affairs.

Changes in Money Market

Recalling the system as it was described in the Macmillan report, the 'money market' has undergone changes in structure, particularly since 1939. For one thing, the number of discount houses has been reduced, chiefly by amalgamation, and their capital position strengthened. Further, the material in which the money market deals is differently composed, with an even greater preponderance of Treasury bills, while technical alterations have occurred in the working relations between the central bank, the joint stock banks and other sources of funds and the discount houses.

As for the domestic banking system, its structure remains much the same, but the distribution of its assets has undergone notable changes, with a smaller proportion of advances and larger holdings of Government securities. Moreover, the machinery of central bank regulation of the volume of bank credit has been modified. No longer is monthly 'window-dressing' widely practised to conform to the ten per cent cash ratio through which the central bank controlled the volume of deposits with the banks and indirectly their lending-power. Today the banks observe a day-to-day cash ratio of eight per cent; nevertheless, because

of the great volume of Government floating debt, central bank regulation of the quantity of money may be in practice less effective than under the system which the Macmillan Committee described. The conventional 'liquidity ratio' of at least thirty per cent of liquid assets against deposits has latterly come to be of increased practical importance, though the effectiveness of this ratio also is a matter of difference among experts, upon which an agreed, authoritative judgment in the light of facts has yet to be made. In this sector too, then, significant changes have occurred.

Final Responsibility

Among the most fundamental of the changes that have taken place since the Macmillan Committee's survey are those concerning responsibility for determining monetary policy in given circumstances. The constitutional facts that the capital of the Bank of England was taken into Government ownership by Act of Parliament in 1946, and that the Directors, including the Governor and Deputy Governor, are now appointed by the Crown are, in a sense, symbolic. The broadening of the range of monetary policy, as indicated above, both as to objectives and instruments, has lodged final responsibility in Her Majesty's Government, with the Bank of England acting, within its own sector, both as expert adviser to the Treasury and as an agency for the carrying out of policy in practical terms.

One consequence of this shifting of responsibility has been to bring monetary policy right on to the stage of day-to-day politics. Announcements concerning monetary policy for the

time being are invariably made in the House of Commons, ordinarily by the Chancellor of the Exchequer. They are commonly subjected to criticism on party lines, on the generally accepted principle of Britain's Parliamentary system that it is the duty of the Opposition to oppose. Whether this is a good or a bad thing, or something of each, is a question for objective discussion in the light of results; here the fact is recorded simply as another—and certainly one of the most important—of the changes that have occurred since the financial system was last put under the scrutiny of a committee officially appointed for the purpose.

Need for New Enquiry

All this suggests two things: first, that the report of the Macmillan Committee has now to be regarded as an historical document, as clearly dated as the famous report of the Bullion Committee of 1810, and having little more relevance to the conditions obtaining in 1957; and secondly, that it may not be too early to consider whether a fresh authoritative inquiry should be set on foot, to bring to light and correlate the facts about the working of the financial system as we know it—or think we know it—after the upheavals of the last quarter-of-a-century.

Extract from Budget Speech

THE following is an extract from the Chancellor of the Exchequer's budget speech.

House of Commons, Tuesday, April 9, 1957.

... We have in the Macmillan Report an authoritative exposition of the system as it worked before 1931. But the problem then was how to find a way to pump more credit into the system. That is not, to say the least, our main anxiety this afternoon. Moreover, much else has changed in this field since 1931. . . .

Such changes in conditions have been wisely recognised by critics both in this House and outside and for this reason suggestions for a committee of inquiry have been canvassed for the past year or more. My Right Hon. Friend considered them carefully last spring. He heard the views expressed to him by a small deputation led by my Hon. Friend the Member for Aberdeenshire, East (Sir R. Boothby). He considered at that time that an inquiry would be premature until we had more experi-

ence of the application of Bank Rate and of the credit squeeze.

In the last two months I have considered the matter afresh and have had the benefit of renewed interest which has been shown in it, in committee in this House, in a valuable debate a month ago in another place, in the Press, and in other quarters. I have now decided, after consultation with the Bank of England and with its full agreement, that the stage has been reached when an inquiry should prove useful and constructive. A committee will be set up with terms of reference:

'to inquire into the working of the monetary and credit system and to make recommendations.'

I am glad to say that Lord Radcliffe has consented to serve as Chairman. The names of other members will be announced as soon as the appointments have been made.

What Russia Thinks About Gold

TOTAL sales of gold by the Soviet Union in 1956 amounted to some 4,300,000 oz. and were the largest since the war, according to estimates now published by Samuel Montagu and Co. in its latest annual Bullion Review. In the first half of the year sales of gold followed much the same pattern as in the two previous years but offerings in the closing months of the year were reminiscent of the substantial sales made in November and December, 1953. At that time, it will be recalled, the U.S.S.R.'s shipments of gold were believed to have been made to acquire the necessary foreign exchange to meet the payments on its large purchases of consumer goods from the West.

Sales in 1956 and, incidentally, the further appreciable offerings of gold on the Continent this year, have undoubtedly been made not only to meet the cost of the unusually heavy Soviet purchases of raw materials and semi-processed goods from the sterling area over the past year, but also to aid countries in the Soviet bloc meet their relatively large commercial debts to the West. This comment applies in particular to Hungary and Poland, although it is known that recently Russia has also been helping Eastern Germany and Czechoslovakia to acquire foreign currencies.

No Flood

An interesting point made in the Review is that despite the U.S.S.R.'s enormous potentialities as a seller of gold there has been no indication whatsoever of her activities on the free market being designed to flood it. Indeed, as an important gold producer (and the Review credits the

From The Mining Journal, March 1, 1957

finds its way into official stocks, and taking into account the substantial amount of gold released by the Soviet authorities, the amount of gold available in 1956 to strengthen official monetary reserves, cannot have been as much as \$800,000,000. This compares with the world official holdings of gold at the beginning of last year, excluding bodies such as the Bank for International Settlements and the I.M.F., of approximately \$35,000,000,000.

Thus the availability of gold in 1956

represents a rate of growth of less than 3 per cent. If, therefore, the tendency for a substantial proportion of the world's output of gold to disappear into private hoards persists, the inevitable position must arise that either countries must be prepared to witness that portion of their external reserves held in the form of gold to diminish annually or the price of gold must be increased in order that reserves can be maintained at a level sufficient to withstand the cyclical changes affecting their balance of payments.

Development Progress in Iraq

Oil, Water and Land

Of all the oil-bearing countries of the Middle East, Iraq is the most fortunate. For she possesses not only oil and the money that comes from oil, but also enough water and cultivable land to make possible the execution of vast works of economic development—development that will transform Iraq during the next two or three decades into a wealthy and economically stable country with a high standard of living and advanced social services for all her people.

This development and the prosperity it is bringing to the country were celebrated in April of last year by the inauguration of a number of irrigation projects, bridges and roads. A similar celebration is to take place during the week beginning March 23—Development Board Week, as it is becoming known. It is therefore an appropriate moment to cast a general glance at the progress that has so far been achieved for laying the foundations of Iraq's new life.

River Control

Water schemes necessarily take the first place in Iraq's Development Plan. This is not only because Iraq is principally an agricultural country with two great rivers—the Tigris and the Euphrates—and a number of tributaries that can provide the necessary water to irrigate the country's cultivable plains. It is also because Iraq's rivers are liable to violent fluctuations which at the peak points can cause terrible devastation by flooding, if uncontrolled.

River control schemes in Iraq therefore have two principal objects: (a) the storage and distribution of water for irrigation; (b) the prevention of flood damage. A third but definitely subsidiary object is the provision of hydro-electric power for light industries.

Questions of large-scale irrigation do not arise in Northern Iraq which is rain fed and where the nature of the land does not lend itself to irrigation from the stored water of major dams.

From Iraqi Bulletin, March 1957

It is in Central and Southern Iraq that major engineering works are required, both to provide water for agriculture and to guard the country against the danger of floods.

Four Major Dams and Reservoirs

In this region two great schemes were completed and officially inaugurated last summer, and two are now in process of execution. The first two are those of the Tharthar Depression and the Samarra Barrage on the Tigris, and of Lake Habbaniyah on the Euphrates. Both are prodigious engineering projects that serve the two principal needs of Iraq—protection against floods, and the provision of water for agricultural development.

Tharthar Project

Tharthar comes first in importance. The Depression (which lies about 100 kilometres north-west of Baghdad) is a vast hollow of about 100 kilometres in length and has an area of 2,000 square kilometres when filled up to 60 metres above sea level. The double object here was achieved by the digging of a canal to connect the Tigris with the Depression, and by building a concrete barrage spanning the Tigris opposite Samarra, together with a regulator to provide for the irrigation of about 250,000 acres of land in the future.

The Canal which takes the overflow of the Tigris into the Depression is 62 kilometres long, and can discharge 8,000 cumecs. The digging of it cost about £60 million. When filled up to 60 metres above sea level the Depression will hold more than 65 million cubic metres of water. This filling process will take a number of years (particularly as there will be a certain loss of water through evaporation) and the canals that are

to bring the water from the reservoir to the areas of cultivation have not been dug yet.

Habbaniyah Project

The Habbaniyah Lake is a very old one and some authorities believe that the Babylonians used it to ease the floods on the Euphrates. In modern times the idea that it could be used for this purpose was first suggested in 1911, and work was actually begun on a canal before the first World War. The outbreak of that war, however, put a temporary end to the execution of the project. Many fresh studies were made after 1918, and the work was put in hand once more in 1939, when the second World War broke out causing the full execution of the project to be delayed. Further studies were made with a view to achieving the double purpose mentioned before, namely protection from the dangers of flooding and the creation of a vast reservoir of water for irrigation. As a result it was decided to place the head of the Habbaniyah Inlet Canal at a point above Ramadi, in order to ease flood pressure upon that town, and to build a regulator passing 2,800 cumecs of water. A concrete barrage was then constructed across the Euphrates near the town of Ramadi. This barrage raised the level of the Euphrates and increased the storage capacity of Habbaniyah to 3,300,000 cubic metres—a supply which is designed ultimately to irrigate lands estimated at about 600,000 acres. The total cost of this project was more than £4½ million.

The Dokan Project

This project which is in process of execution, and has not yet been completed, is for a dam on the Lesser Zab River, lying a short

distance north-east of the town of Sulaimaniyah. The storage capacity of this dam (which is to be built to a height of 116 metres) will be 6.8 milliard cubic metres—a volume of water sufficient to reclaim 250,000 acres of land, in addition to irrigating further areas in the summer season. The dam will cost more than £13 million and will be completed by 1959. It is hoped that the dam will also be used for generating hydro-electric power in the future.

The Derbendi Khan Project

Another great dam is being built on the upper reaches of the Diyala River. The height of this dam will be 125 metres and its storage capacity 3.5 milliard cubic metres. The project will cost more than £16 million, and here again, it is hoped to use the dam as a source of electric power in addition to its primary purpose of irrigating the valley of the Diyala River.

Israel's New Wage Policy

THE Executive Committee of the Histadruth, the all-embracing General Federation of Jewish Labour in Israel has, at the initiative of M.A.P.A.I., the largest labour party and major partner in the Government coalition, adopted a new wage policy. The decision, taken by a large majority, and effective as from January 1, 1957, may have far-reaching effects on the country's economy.

The new policy is mainly inspired by the desire to achieve economic stability through changes in the cost-of-living allowance agreement.

In the case of most employees, the cost-of-living allowance increases, under the present system, by IL3.750 if the cost-of-living index rises by three points within a period of three months. Such a rise in the index involves an increase of some IL13,000,000 in the nation's annual wage bill.

Reducing Instability

Under the new system, the cost-of-living allowance will increase by 3 per cent of the wage earner's monthly

Israel's New Wage Policy

emoluments (up to a maximum basic wage of IL500) if, within a period of six months, the index rises by 7.5 points, at the present basis of calculation. This new system will substantially reduce the element of instability by which, hitherto, a small rise in the cost of certain basic commodities could disturb the country's cost structure.

A noteworthy characteristic of the new policy is that it will, in the event of increases in the cost-of-living index, cause a widening of the gap between the income of the lower-salaried employee and that of the professional and highly-skilled employee. While under the old system the same cost-of-living allowance was payable in the case of nearly all salaries, the new system provides for tax-free cost-of-living allowances proportionate to the wage earned—up to a maximum basic salary of IL500.

Another factor conducive to greater stability in industrial relations is the decision henceforth to renew the collective agreements once

From Review of Economic Conditions in Israel, Bank Leumi Le-Israel B.M. December 1956

in two years—instead of every year, as hitherto.

Emphasis on Production

A further feature of the new wage policy is that of greater emphasis on production and productivity: wage increases will be linked to efficiency, all automatic premiums will be abolished, and premiums tied to established and certified norms. Promotion and upgrading will take place only after candidates have successfully passed professional tests. The new policy also provides for increased working hours of employees in Government and public institutions and in the teaching profession. Another provision of the new wage policy covers the retention at present levels of social benefits which, in Israel, amount to some 30 per cent of total wages in industry; to 21-24 per cent in building; and to 14 per cent in agriculture—thus constituting an important element in the cost of labour. Only in exceptional cases, where the level of these fringe benefits is definitely below customary standards, will improvements in social benefits be considered.

Conclusion

The conclusion to be drawn from the above is that Trade Union leaders have evidently decided that it is essential for wage levels to be kept under control in order that a further deterioration of cost levels be prevented. In fact, the new policy is compatible with the recommendations of members of the Government, economists and foreign advisers, who have all, for some time, advocated the need to prevent further increases in personal income. The policy also proves that labour leaders have come to regard productivity and expanded production as most

important in the promotion of the country's economic independence.

Eliminating Fluctuations

As intimated above, the introduction of the new policy was largely motivated by the desire to put the country's economy on a sounder basis through the elimination, as far as possible, of fluctuations in the cost of production. Another reason for the acceptance of the new policy by Labour leaders may well be the fact that they are beginning to realise that the welfare of the working classes cannot be divorced from that of the nation as a whole. This has, however, not prevented those labour parties who are in the opposition within the Labour Federation from defining the changes in the wage policy as a prelude to the deterioration of working conditions.

To some extent the fact that the Histadruth is not merely a federation of trade unions but that, as the country's largest employer, it is faced with labour problems from the employer's angle, may have something to do with the change in the attitude of the Union and Labour Party leaders. They are, too, beginning to devote increasing attention to problems of industrial management. Being responsible for both the country's economic destiny and for trade union policy, leaders of the Israel Labour Party now take the view that the urgent problems of the national economy cannot find a solution unless Labour gives up some of its privileges.

A New Attitude

It seems, therefore, that the struggle between the Labour leaders responsible for the country's economy, assisted by a group of young econ-

omists, on the one hand, and the Trade Union leaders, interested mainly in securing wage increases (even if they be theoretic only) on the other hand, has ended with the victory of the former. As it is, they are in a better position to assess correctly the urgent problems of the Israel economy. However, their victory can, by no means, be regarded as complete since the new policy was, under pressure, seriously watered down by two main elements: the first of these

was to the effect that, though the link between the cost-of-living allowance and the cost-of-living index was weakened, it was not completely severed; the second, the decision to defreeze, in 1957, the third of the wage increase, payment of which was withheld in 1956.

Even so, the conclusion must inevitably be drawn that the new wage policy points towards the adoption of a new attitude on the part of Labour leaders in Israel.

Britain

First!

Not a Pawn

Having indulged in many a project from the United Nations onwards, Britain is now entitled to set her own interests first, to ease the burden of a philanthropic internationalism and thereby lighten in its turn the burden upon her industries, and, indeed, her industry in the other sense of the word. Her destiny does not lie between being the helot of Moscow or the client of Washington. It lies in her being again the mistress in her own house, the chooser of her own policies, the mentor and sponsor of her own Commonwealth and Empire.

To such an aspiration neither the rulers of the Soviet nor the ruler of the United States can object. If the present Government does no more than clear the way to such a destiny it will have justified its claim to a high place in history. The danger is that long-term policy may be thwarted by a too careless or too cursory handling of immediate but transitory issues or by a Budget not brave enough in its handling of competitive claims for tax relief.

Of Britain's resiliency and potential economic strength there can be little question except by those blind to the history of the past half century. The nation which has weathered the general strike, the world slump of the period of 1929-1931, the years of mass unemployment, while still reeling from the gigantic losses and exertions of the first world war, only to show herself again the victor of a second war equally punishing to men and resources, stands today as the world's leader in many branches of invention and science, a leader in most industries, despite the unfair competition of a re-equipped Germany and Japan and a financially triumphant America, and the possessor of the highest standard of living ever reached in modern civilisation. Her embarrassments are temporary, her handicaps conquerable. But she has reached a stage in which many readjustments demand to be made. It is necessary to consolidate as well as to advance. To consolidate must mean to diminish many of the outside commitments necessary in the immediate post-war period, but not so over a decade or more since the war ended.

From The Statist, March 2, 1957

Focus on Commonwealth Migration

(*Debate on the Empire Settlement Bill, Second Reading, Hansard, January 25, 1957*)

MR C. J. M. ALPORT (Under Secretary of State for Commonwealth Relations): . . . Of the 140,000 persons who emigrated to Australia on the assisted or free passage schemes between 1951 and 1956, 56,000 were wage earners and 84,000 were dependants. Of the wage earners, 46,000 were men and 10,000 were women. On an age group basis, it has been calculated that about one-sixth were over the age of 45. It is perfectly true that in the case of Canada the proportion on an age group basis is not quite as satisfactory. It is about one-tenth. Even so, there is a substantial proportion in the case of Canada of the more elderly of us who are going over to that Commonwealth country. . . .

Between 1948 and 1956 the average gross emigration from this country to the Commonwealth was about 125,000 people annually. Although these have included a large number of valuable citizens, I think it would be getting the problem completely out of proportion if we thought that their departure from this country was a dead loss to Britain or that there was not a compensating flow of migrants from Commonwealth countries to the United Kingdom. Indeed there are a significant number of hon. Members who are immigrants into the United Kingdom from Commonwealth countries. . . .

MR A. G. BOTTOMLEY (Labour: Rochester and Chatham): . . . If we really believe that atomic energy will provide the power, and that automation will revolutionise our economic system, which I think it will, then, clearly, we shall be over-populated. We ought to encourage migration.

Originally, Commonwealth countries wanted labour from this country for agricultural purposes, but now they want people for skilled and semi-skilled work. To the extent that they take our craftsmen and skilled workers which really impinges upon our own industrial efficiency, it would enable us to use our manpower for the benefit of the Commonwealth as a whole. . . .

MR SHINWELL (Labour: Easington): . . . In Western Australia the Americans have bought up millions and millions of acres of land at rock-bottom prices. It is not clear what for. I heard that they propose to grow groundnuts, if I may be forgiven for mentioning it. I have no reliable evidence of that. I heard that they intended to grow rice. It may be that they are searching for oil or minerals, but they are after something. The Americans—I mean American industrialists—usually are. If we are not prepared to come in and invest and infiltrate we cannot object to the Americans doing it and, of course, the Australians do not object. They will take capital from any source, naturally, though they prefer it from the United Kingdom.

I know that there is a reply to this single point. I know that at least 65 per cent of investment in Australia over the past five years came from this country. That is a good percentage, but it could be better still. The Australians like the infiltration of British industrial undertakings with their technical staffs, if at all possible. It is not always easy. For example, we have nothing to do with the motor car industry in Australia. It is under the exclusive control of

American firms. I am told that our cars are not always suitable, but I travelled in some of their cars and I did not think that some of them were very suitable either.

We are allowing ourselves to be pushed out of the way. In the interests of our own economy we cannot afford to allow ourselves to be set aside. Private interests may be able to find the capital. They are more disposed to find capital for Latin America occasionally than the capital required in Australia and New Zealand, although, as I admit, a great deal is being done there.

MR W. T. AITKEN (Conservative: Bury St Edmunds): . . . Some 1,300,000 new Canadians have entered Canada since the war. One in every dozen Canadians one meets in the streets of Canada is a new Canadian. In Australia, one in every nine Australians one meets is a new Australian. . . .

The annual £1,500,000 we are voting in this bill could finance a nice little pilot scheme for Commonwealth development policy involving both men and money. Lots of things can be done to help migrants which would be profitable to this country. The Dutch make a practice of financing the purchase of houses for their migrants overseas. Why cannot we consider financing, or assisting or encouraging the finance of, a building society? There are no building societies in Canada. The financing of housing is done mainly through the banks.

MR JAMES JOHNSON (Labour: Rugby): . . . It is not only a matter of economics or of capital investment, but even more of the psychological climate, so to speak, of industry here. Will firms in the United Kingdom be willing to go to Melbourne with a car factory? The Americans

go. We can export factories like the Holden factory to Larne in Northern Ireland, but can we export them to New South Wales or to the South Island of New Zealand? That is the best way not merely of getting capital investment but of getting bodies in the technical sense, getting a cross-section over there of our population. I have heard speakers talk about sending a better class, meaning possibly physically, mentally and technically better, but if the young go and leave behind the aged people there will be a further burden upon our social services.

MR NIGEL NICOLSON (Conservative: Bournemouth East and Christchurch): . . . The second table in the Second Report of the Overseas Migration Board contains interesting figures. In 1955, the total immigration into Australia amounted to 130,000 people. Of these, only 50,000 were of British stock. The remainder, over half, were of mainly Western European stock. Details are given. There were 30,000 Dutchmen, nearly 11,000 Greeks, and 27,000 Italians. If this process goes on, we will discover in comparatively few years that Australia is no longer mainly a British country, with all the advantages in terms of politics, economics and strategy that that means. . . .

There is no need to scare people into thinking that, economically, we shall not be able to pay our way. There is no need to minimise the great opportunities in this country for those who wish to stay. But let us also positively argue the case for the advantages of developing the Commonwealth and let us argue it in human terms. Let us argue it in terms of the family, because it is the family which is the unit of emigration, from the baby to the grand-mother. . . .

Commonwealth Survey

(1) UNDERPINNING INDEPENDENCE IN ASIA

PUTTING up the capital for new industrial projects in South and South-East Asia is a three-way job for Britain, and the recently published Colombo Plan report shows how it is done.

The most important contribution is made by private firms in the United Kingdom who are pouring a constant stream of capital into the Colombo Plan countries. This influx of capital not only provides much needed finance, but it also brings with it the 'know-how' of modern techniques often lacking in Asia.

Cash and Credit

Just how much capital flows into the Colombo Plan area, through the activities of private firms is not precisely known. But a rough idea of its scope can be gathered from an estimate by the Reserve Bank of India that between the middle of 1948 and the end of 1953 the net investment in India by private U.K. firms was no less than £100 million.

The second way in which this country aids economic progress in the Colombo Plan zone is by grants, loans and credits made by the U.K. Government. Since 1951 a total of about £86 million has been received by Asian countries in this manner.

Finally, to supplement the two other sources of financial aid, the U.K. Government gives further help by allowing Asian countries to draw on their sterling balances. Thus the Asian countries add to their current resources at the expense of those of the U.K.

Combined Op.

Very often aid to the Colombo

From Labour, March 1957

Plan area takes the form of a combined operation by the U.K. Government and private firms. An outstanding example of this form of co-operation is the million-ton steel plant at Durgapur. Here the Indian Government has made an agreement with the British steel plant manufacturers to build the works, the U.K. Government has agreed to lend the Indian Government £15 million, the British banks are lending another £11½ million.

Other countries in the Commonwealth—particularly Australia, Canada and New Zealand—have played a big part in helping the Colombo Plan countries with financial aid and technical assistance. So too, has the United States of America. Over the period from January, 1950—when the plan was launched—until the middle of last year the aid to Colombo Plan countries from donor countries outside its area amounted to roughly £850 million. In the same period the International Bank lent a further £128 million.

Long Way to Go

This aid, coupled with technical assistance has done a great deal to set the countries of South and South-East Asia on the road to economic progress. But there is still a long way to travel before they can satisfy the demands of their millions of people.

First, the Colombo Plan report shows, long-term planning is a hazardous business in an area where droughts, floods and crop failures constantly threaten to upset calculations. Plans have to be very flexible, and the maintenance of improvements

already made—which could be threatened by natural hazards—is of great importance.

Second, the report points out, the problem in the area is not only to raise production but also to find jobs for the millions of people who live there. This means that social, as well as economic, considerations must be taken into account when making plans and that special attention must be given to training the labour force.

Helping Each Other

Third, emphasis is placed on the need for countries in the area to consult each other—not least of all in technical training programmes and employment problems. The report

warns that advances made by one Colombo Plan country at the expense of another in the area are likely to be self-defeating. Programmes must be considered, says the report, from both the internal and external points of view, and this will be of great importance—and increasingly difficult—as trade expands.

But the report concludes on a note of optimism. 'As the Colombo Plan enters its sixth year', it says, 'there is renewed courage, confidence and determination to move ahead in the economic betterment of South and South-East Asia. The record of achievement set forth in the report gives reason to believe that however great may be the difficulties ahead, they will be overcome.'

(2) COMMONWEALTH'S ECONOMIC LINK

PERHAPS the most powerful argument in favour of the Commonwealth link is economic. Quite apart from the need for continuity in the matter of sterling area trade without prejudice to the extension of India's trade with countries outside that area, this country's currency link with sterling suggests the need for continued monetary stability which is no less necessary than political stability for attracting foreign capital for rapid industrialisation. It is well known that British capital is still leading in the latter of post-war foreign investment in India.

The familiarity of British business men with the basic elements of

stability in the body-politic and the body-economic of this country and the sense of security they feel in India being a member of the Commonwealth, are not negligible factors in attracting capital from other countries like the United States. In the measure that the Commonwealth link contributes to an accelerated tempo of economic growth in India, this country may well become a real force for peace and international understanding. That Mr Nehru's proclaimed faith in the Commonwealth as the most successful example of political and economic co-existence does not appear to have diminished, is a happy augury.

From The Eastern Economist, March 8, 1957

STEEL IN INDIA

A vast steel project, costing over £100,000,000, is to be established at Durgapur, India, as a British contribution to Colombo Plan aid for South-East Asia.

(3) CANADA'S OVERSEAS TRADE

	January-December 1955	1956	% increase
	(millions of dollars)		
Exports (domestic and foreign):			
United Kingdom	774.0	818.4	5.7
Other Commonwealth countries	238.6	245.2	2.8
United States	2,612.2	2,879.1	10.2
Other foreign countries	726.5	920.2	26.7
Totals	4,351.3	4,862.9	11.8
Imports (Estimated):			
United Kingdom	400.5	484.5	21.0
Other Commonwealth countries	209.8	222.3	6.0
United States	3,452.2	4,169.2	20.8
Other foreign countries	649.9	835.7	28.6
Totals	4,712.4	5,711.7	21.2

(4) MANUFACTURING ACTIVITY IN AUSTRALIA, OCTOBER 1956

THIS six-monthly report on manufacturing activity, shows that large developmental projects in manufacturing industry completed within the past year had added significantly to Australia's capacity to produce basic materials and equipment formerly imported.

Production in most manufacturing industries was now well up to demand

A Wiseacre

'TODAY, when our economy is parcelled out among the various departments, barriers are being raised in the way of the development and the correct distribution of production.

'Allow me to cite just one fact. Can you guess where the major part of our maize harvesters are being manufactured today? In the Kerm-erovo region, while maize is being grown in the south. Who was the wiseacre who put forward the idea of organising the production of

maize harvesters thousands of kilometres from the areas where they are to operate? It is obvious that such a plant should be somewhere in Krasnodar. Rostov or Dniepropetrovsk, where maize has been grown for a long time.

'We should investigate this fact, discover those who are responsible, call them to account and report this in the press. We should not permit a bureaucratic approach to the distribution of machine-building plants.'

From N. S. Khrushchev's Speech at Rostov: Agricultural Conference

Alberta Shares Out the Wealth

AN entirely novel proposal for the disposition of oil royalties is likely shortly to be put into effect in Alberta. A Bill presented by the Alberta Social Credit Government to the Provincial Legislature last month—and virtually certain of acceptance—provides for the distribution each year directly to the citizens of Alberta in cash of about one-third of the Province's royalties from oil and natural gas production.

A proposal for Citizens' Dividends on these lines was first mooted by the Alberta Government three years ago as a possibility in the light of the continuing growth of Alberta's oil revenues. Its declared aims are to give the individual citizen a direct personal interest in the oil-inspired prosperity of his Province and at the same time—as indicated below—to move towards great financial autonomy for the municipal authorities in Alberta. It has, however, been criticised by some Canadians who oppose it, as being linked to a desire to increase Social Credit votes in this year's Canadian national elections.

Rapid Growth of Revenue

Revenues from oil and natural gas developments in Alberta continue to grow rapidly, and all accrue to the Provincial Government, the Dominion Government sharing only through the income taxes it levies. Aggregate revenues from oil and gas received by the Alberta Government since 1947 have now climbed to about \$580 million. During the past three fiscal years alone they have totalled some \$300 million, as compared with an aggregate of \$272 million during the preceding eight years 1946-47 to

1953-54. In 1956-57 revenues are estimated to have totalled \$89 million, and in 1957-58 they are expected to reach about \$120 million.

These estimated oil and gas revenues may be compared with total estimated revenues from all sources in these two years, respectively of \$209 million and of \$252 million. On the sound principle that the depletion of oil and gas resources should be coupled with the building of new capital assets for the future, the Alberta Government has devoted the bulk of its revenues from oil and natural gas to capital construction and to debt retirement, which together have amounted since 1947-48 to a total of \$425 million.

How it's Made Up

Alberta's oil and gas revenues comprise receipts from sales of Crown leases by sealed bids at public auctions, rentals and fees on oil and gas leases and operations, and royalties on production. The Provincial Government holds 86 per cent of the mineral leasing rights in Alberta, its powers dating back to the alienation of all unsettled lands in Canada to the Crown in 1889, and to the subsequent vesting of these rights by an Act of 1930 in the Provincial Governments rather than in the Federal Government. Sales of leases have so far yielded more than half Alberta's total revenues from oil and natural gas operations.

Revenues from sales of leases cannot, however, be expected to continue indefinitely to grow, as leases once made are on a 21-year basis, renewable so long as oil or natural gas are being produced. Receipts

From Petroleum Press Service, April 1957

from lease sales are estimated last year to have dropped to \$46.5 million, as compared with over \$60 million in each of the two preceding years. Next year they are budgeted to bring in \$62 million. Rentals, fees, etc. have run for some years at around \$20 million annually.

On the other hand, the royalty income from which the Citizens' Dividend will be paid, is destined to grow steadily as oil and gas production increases. Next year, with the beginning of greater natural gas production as well as the continued expansion of oil production, royalties are budgeted by the Government to jump to \$37 million, as compared with \$23.7 million in 1956-57. Royalties on oil are levied on a sliding scale, rising from five per cent of the well-head value on production from a well producing up to 600 barrels monthly, to 16½ per cent of production of 4,050 barrels or more monthly. On dry natural gas the royalty is 15 per cent of the selling price, or of the fair market price, at the place of production with a lower limit of 0.75 cents per thousand cu. ft.

\$22 for Each Citizen

Under the proposals now put forward one-third of each year's royalty income from oil and gas (not other minerals) will be distributed equally between all the citizens of Alberta over 21 years old who have resided there for five consecutive years or more immediately preceding their application to receive the dividend. The present total population is a little over 1,100,000, and this year's dividend is expected to total about \$11 million or some \$22 per adult citizen. This proposal is highly original, and contrasts with practices elsewhere in the use of oil revenues. It must, however, be related to the

particular circumstances in Alberta.

The distribution of royalties is to be made to citizens who already have a high standard of living, and to whom \$22 a year, or even several times this amount at some future date, would represent only a marginal addition to income. Moreover, the proposed dividend is not viewed by the Alberta Government—to judge from earlier pronouncements—as merely a transfer of spending power from the Government to individual citizens, but rather as a potential part of a general reorganisation of the financing of municipal governments in Alberta so as to give them greater autonomy. Assistance to the municipal authorities to cover outlays on education, public health, roads etc. represents a principal item in the Alberta Government's expenditures. It is considered that by thus giving citizens greater capacity to pay local taxes the independence of the municipal authorities from the central Alberta Government could be increased and the individual citizen thereby given greater freedom of choice in his own community's affairs.

Share in Natural Wealth

The proposed dividend inevitably recalls the unorthodox financial doctrines of the Social Credit Party, which though it has been in continuous office in Alberta since 1935, the Alberta Government has been unable to implement owing to its lack of constitutional authority in this field. The best-known of the Alberta Government's abortive financial proposals was the promise to pay 'National Dividends' of \$25 per month to all citizens, who were asked in 1935 to register for the purpose of payment. However, while

the new project bears superficial resemblance to these earlier schemes, and spring, indeed, from the same basic philosophy, it is in fact in no way an attempt to intervene in the normal working of today's general monetary and credit system.

Its significance lies elsewhere, in the attempt to bring home to the individual as a fact his participation in the natural wealth of his Province, and in the rare decision by a government to shed some of its established powers and revenues.

Europe and Colonies

How the Commonwealth is to be brought into the scheme for European Free Trade is somewhat difficult to determine and the following points seem to be essential:

(i) The Commonwealth countries obviously want to develop their manufacturing industries and would not wish to join the Free Trade area and expose them to the competition of a rush of goods from highly developed European countries at cheaper prices resultant from a huge broadly based European market.

(ii) They would resent it, if they had to pay duties to enter the Free

Trade area, whereas the French, Belgian, Dutch and Italian possessions could send in their exports free.

(iii) They wish to keep the preferences they enjoy in the British market, though they are out of date and some of them too low. The most important preference, however, which they enjoy is that of free entry into the United Kingdom for nearly all their products, most of which may be regarded as, and in fact are, primary commodities.

(iv) Britain does not wish to sacrifice the modest preferences she enjoys in Commonwealth markets.

From Empire Industries Association and British Empire League, March 1957

CONGRESS OF COMMONWEALTH AND BRITISH EMPIRE CHAMBERS OF COMMERCE IN LONDON

The Nineteenth Congress of Commonwealth and British Empire Chambers of Commerce is to be held in London at the end of May, under the patronage of Her Majesty the Queen. The Rt Hon. Sir David Eccles, President of the Board of Trade, will open the Congress in the Hall of the Fishmongers' Company on May 27th.

Some 200 delegates representing Chambers of Commerce in some 37 countries of the Commonwealth and Empire are expected to attend, and the very wide range of subjects on the Agenda will be divided between four Committees, dealing with Industry and Commerce, Constitutional and Social Questions, Future Economic Policy with special reference to Imperial Preference and the European Free Trade Area, and the Development of the Commonwealth and Empire (including communications). The Congress is organised by the Federation of Commonwealth and British Empire Chambers of Commerce, whose President, Lord Tweedsmuir, will take the chair.

Rural Economy

(1) BETTER FOOD AT LOWER COST?

Specially written for ECONOMIC DIGEST by JORIAN JENKS

THE recent Farm Price Reviews have once again emphasised the desirability of reducing food production costs, but without disclosing practical means of accomplishing this. Farm incomes and wages are already low by industrial standards, and the price of everything which agriculture buys is rising. But need agriculture buy so much? Research now in progress suggests that if some of the attention now given to technical aids to husbandry could be re-directed to the improvement of husbandry itself—fuller use of natural resources—substantial economies might be effected.

'Organic'

For a good many years now, a growing number of farmers have been reporting excellent results from what are commonly called 'organic' methods. These consist basically in conserving and enhancing the natural fertility of the soil, in maintaining a good balance between different crops and classes of livestock, and, in general, using applied biology rather than the applied chemistry which has hitherto tended to dominate agricultural teaching and practice. This change of emphasis, it may be added, is not unreasonable, seeing that farming's chief concern is with living creatures.

In most cases, these methods have been adopted primarily as a means of securing better health in crops and livestock—greater resistance to pests and diseases. But there is little doubt that they have also resulted in substantial savings in fertilisers, sprays,

tions have each had their own livestock—dairy cattle, poultry and pigs; the herds and flocks are closely related, so as to reduce the genetical factor to a minimum, but are kept quite separate. Virtually no feeding-stuffs are bought, and home-grown seed is used as far as possible. Similar crop rotations are followed, and labour and management are shared. But whereas the leys (temporary pastures) on the 'Organic' section include deep-rooting plants such as chicory, lucerne, burnet and yarrow, those on the 'Mixed' section consist of the conventional mixtures of grasses and clovers. On the 'Organic' section, moreover, the farmyard manure is composted, while on the 'Mixed' section it is carted and spread in the usual way. All produce is fed to the livestock, except, of course, on the 'Stockless' section.

The Comparison

Since 1951, the experiment has been under the direct supervision of a well-known biochemist, Dr R. F. Milton, whose observations and analytical work are now beginning to reveal some very interesting trends.

On average, crops on the 'Organic' section, getting no fertilisers, have yielded as well as those on the 'Mixed' section with fertilisers, and have contained more dry matter. Possibly for this reason, the dairy herd fed from the 'Organic' section has given more milk, with a consistently higher content of solids—butterfat, protein, milk sugar and minerals. This may be an important finding at a time when much of the milk produced in England is known to be deficient in solids at some seasons.

The 'Stockless' section continues to grow useful crops of corn, but the

nutritional value of its produce cannot as yet be tested. If, however, enough funds can be raised, the next step will be feeding experiments with produce from all three sections, using small laboratory animals to get quick results.

Surprised?

It may surprise many people that the no-fertiliser section should have maintained the higher milk output. Their surprise will be increased when they learn that this has not been done at the expense of its soil fertility. On the contrary, monthly soil analyses have shown that it is improving steadily both in humus content and in soil nitrates, while the 'Mixed' section, though receiving as much organic matter, is barely holding its own in these respects and the 'Stockless' section is losing ground steadily.

Through these monthly analyses, Dr Milton has discovered a natural phenomenon, the existence of which is not disclosed by the usual 'spot' analyses and was in fact unrealised a few years ago. Each season, the supply of available plant nutrients in the soil rises to meet the requirements of growing crops, falling again after harvest. At Haughley, this seasonal rise has been most pronounced on the 'Organic' section, less so on the 'Mixed' section, and least on the 'Stockless', despite the application of soluble fertilisers to the last two.

Biological Relationship

The explanation tentatively advanced by Dr Milton is that plant nutrition is essentially the result of a complex biological relationship between plant and soil, and that high humus content and enhanced micro-biological activity are inter-connected.

Such a conclusion marks a distinct departure from the usual supposition that the normal mode of plant nutrition is the relatively simple process of absorbing a weak solution of chemical salts through their root-hairs. That plants can be fed in such a way has been amply demonstrated. But why should the addition of such salts, as fertilisers, retard both humus formation and microbiological activity? That remains to be explained; but meanwhile the Haughley analyses suggest strongly that fertilisers can no longer be regarded as *supplements* to natural fertility, but should, rather, be envisaged as *substitutes* for natural biological processes that have, to some extent at least, been impaired by their use. These processes, it seems clear, operate upon the unlimited nitrogen of the air and the almost unlimited minerals of the soil and subsoil, making nutrients available to plants as and when needed.

Cost of Fertiliser

A practical question thus arises—would it not be more economic to develop more fully the natural processes than to spend ever-increasing sums on the purchase of substitutes? Last year (1955-56) U.K. farmers spent nearly £75m. on fertilisers, while taxpayers contributed a further £17m. as subsidy. This year the figures will be higher, probably over £100m. altogether; and this excludes the cost of all the experimental, demonstration and advisory work associated with fertiliser usage. If 'organic' farmers have correctly interpreted their experiences—as the

Haughley findings would seem to indicate—almost the whole of this outlay might eventually be saved.

Nor is this the only economy possible. The experience that 'organically-grown' crops suffer less from pests and diseases, and have higher feeding value for animals (and presumably humans) ought not to be ignored because it cannot yet be reduced to figures. Losses from crop pests, and from crop and animal diseases, are a considerable factor in the farm economy; and though it is claimed that most of these troubles can nowadays be 'controlled' by chemical treatments, these 'controls' themselves are a substantial addition to costs.

Lower Costs

By comparison, the special costs of 'organic' farming look modest—a few shillings an acre for seeds for the more complex ley mixtures, and a little more work involved in composting the manure, though no 'organic' farmer seems to engage extra labour for this. Yields per acre and per animal seem to be at least up to average; so there should be scope for real savings over conventional methods. These economic considerations seem now to have been demonstrated, both by practical farmers and by the Haughley Experiment. But an even more important comparison has still to be made—and can be made only if sufficient research funds are forthcoming—the nutritional value and the effect on human health of food grown under the three contrasted systems.

(2) POTENTIALITIES OF BRITISH FARMS

By STEPHEN CHEVELEY (*Chairman of Central Agricultural Control, I.C.I.*)

CLIMATE has determined the pattern of British farming, with its emphasis on arable to the east and south, and grassland husbandry in the west and north. While soils vary greatly within counties, parishes and even fields, climatic conditions are probably more decisive.

On the whole it is not difficult to grow well, in some part or other of Britain, every crop suitable to our temperate climate. Yet it would be unwise, for the same reasons, to aim at increasing present acreages of cereals, potatoes and sugar beet for direct human consumption. These could be increased in an emergency, but would not in present conditions provide the economical production that must be our aim. Rather should we seek, over the next ten years, to increase production by ten per cent from present tilled acreage by concentrating intensively on better varieties, while diverting additional production to livestock and thus cutting down imported feeding-stuffs.

Livestock

With cattle and sheep husbandry

From the opening address to the Conference on 'Agriculture in the British Economy', November 1956

there are no completely inhibiting restrictions arising from climatic conditions, and the obvious step would be to grow more food for livestock on our farms. National significance of increasing net output on livestock farms *must* receive much wider acceptance if we are to return to the practice of feeding our stock through our land, and circumstances beyond our control may soon compel us to move in that direction, possibly tilting the scales in favour of more wheat rather than milk.

When it comes to pig breeding—a contentious subject of recent years—real progress is likely to depend on concentrating on fewer breeds, higher efficiency in food conversion and even more rigid standards of quality. In pigs, as well as in poultry, food is the biggest item of cost. More food could be diverted to them by relying more on grass for ruminant stock and providing home-produced concentrated protein foods for non-ruminants, whether from the by-products of dairying, fishmeal, intensified pea and linseed production, or the cultivation of high-protein barley strains.

(3) NEW FRENCH FARM PROGRAMME

THE French Government has come up with proposals for improving productivity in agriculture, with the accent on giving the maximum amount of aid to small 'family farms'.

A family farm is described by the Government as being a farm on which the members of the same family work with the aid, under certain circumstances, of one permanent paid worker. About 90 per cent of the farms in France are in this category. Under plans of the French Government, these farms would receive favourable terms for credit

From I.F.A.P.

and taxation. Bigger farms would be taxed more heavily under the long-term proposals.

It is also proposed to establish an Agricultural Stabilisation Fund to stabilise both farmers' incomes and the prices of farm products. The

Fund would buy stocks when supplies are excessive and sell these stocks when supplies are short. The Fund would also give financial aid to those affected by frost, epidemics or other disasters to crops or livestock.

(4) FARM MANAGEMENT

Living from the Land—A Guide to Farm Management, by Frank Sykes. Geoffrey Bles; 21s.

Frank Sykes is well known in agricultural circles as a very successful farmer. He writes in his introduction to this useful book—'I have spent my working life on the land in company with those who have done likewise. I love the life and respect the men. If I chide, it is only in a genuine anxiety that a prosperity which has transformed the countryside may not disappear for the lack of some small effort.'

He has put his thirty years of

experience of farm management at the disposal of those who can read and his forthright approach and readiness to challenge prevailing theories will undoubtedly commend themselves to readers of 'Rural Economy'. He claims that all the methods suggested in his book have been proved practicable on his own farm or on those under his management.

There are a number of illustrations, graphs and plans.

(5) RURAL INDIA

All-India Rural Credit Survey, Volume I, Part I. (Rural Families.) The Reserve Bank of India; Rs.9.

Part I of Volume I which has now been published mainly deals with the analysis and interpretation of the data on the 'demand' aspect of credit, collected from the rural families investigated. It runs into about 1,070 pages and embodies the Committee's analysis of the large volume of data collected and the conclusions they arrived at.

The Report briefly deals with the general plan of the Survey. For the 'demand' aspect, information on credit transactions, capital expendi-

ture, etc., was collected through a General Schedule from 1,27,343 families in 600 villages selected at the rate of 8 villages from each of 75 districts spread all over the country.

In all, 777 primary co-operative societies, 124 marketing societies, 47 land mortgage banking institutions, 99 central co-operative banks, 36 banking unions, 5,047 traders in agricultural commodities, 3,476 private moneylenders and 199 indigenous bankers were investigated.

Is U.S.A. a Creditor Country?

NO! SAYS THE HON. WINTHROP G. BROWN, Minister for Economic Affairs at the U.S. Embassy in London

MANY people still tend to think of the United States as a creditor country with what the old-fashioned economists used to call a 'favourable balance of payments', in other words, an excess of receipts over payments. That was true for a period of years after World War II. But it is no longer the case. The fact is that for the last 6½ years the result of United States transactions with the rest of the world have resulted in a net increase in foreign gold and dollar assets of about \$11,000 million (£4,300 million).

This has been brought about in a variety of ways. In the first place, merchandise imports by the United States have increased very sharply. They rose almost 90 per cent between 1949 and 1956. In other words, United States purchases last year from the rest of the world were \$6,000 million (£2,100 million) larger than they were in 1949, and our imports are now the largest of any country in the world. This is partly as a result of the natural effect of a great expansion in domestic demand and partly because of a very vigorous and conscious effort by successive Administrations, both Democratic and Republican, to lower our tariff and other barriers to imports.

High Tariffs?

The average *ad valorem* equivalent of our tariff today is only half of what it was in 1934. Many rates are only a quarter, or less, of their previous effective level, the average, on dutiable imports, being about 12 per cent.

There remain, even after all these reductions, some comparatively high and even some prohibitive duties on a limited range of products. But on the wide range of industrial products which make up most of the United Kingdom's exports to the United States, the rates are very moderate. Indeed in the case of many important items they compare favourably with the duties applicable in the United Kingdom. For example, our duty on motor cars is 8½ per cent, whereas the United Kingdom duty is 30 per cent. Our duties on machinery average rather lower than in the United Kingdom. We do not have the additional concealed protection afforded by the c.i.f. basis of valuation applied by the United Kingdom and many other countries, our valuation being made on a f.o.b. basis. Except in the case of about 10 agricultural products, we do not use any quotas at all.

This tariff reduction process is likely to continue, although probably at a slower rate than before, since we are now getting down to the hard core of tariffs that are most needed and most difficult to change.

Escape Clauses

But, some of you may say, what is the use of lowering tariffs, if you keep on raising them again as soon as any exporter has made a success in your market? Am I not right that this is what some of you are thinking? I thought so. So I must tell you a little about the so-called 'escape clause'.

The basic international agreement

governing tariff levels is the General Agreement on Tariffs and Trade, signed at Geneva in 1947. That agreement fixes the tariff rates of over 50,000 items which make up more than 80 per cent of the whole international trade of the free world. Many of these rates represent substantial reductions. Others represent an obligation not to increase an already low rate.

Now negotiators make mistakes and circumstances change. Consequently, in an agreement of this scope, affecting so many vital business interests, some safety valve is necessary. Otherwise no such agreement would have been possible.

The safety valve is provided by a clause in the agreement which gives a member of G.A.T.T. the right to increase a duty previously reduced if the reduction has caused or threatens to cause serious injury to a domestic industry.

It is, however, characteristic of safety valves in well-designed machinery that they are seldom used. This is true so far as this escape clause is concerned. In the case of the United States it is available for use in case of need with respect to more than 3,000 separate groups of dutiable products representing more than \$4.75 billion (£1,700 million) worth of import trade. In the nine years since 1947, the United States has used this clause to restore reduced duties, usually only partially, in exactly seven cases. Only two of these

—bicycles and linen towelling—affected the United Kingdom.

U.K. Exports to U.S.

In 1956 total United Kingdom exports increased 9 per cent over the previous year. Exports to the United States increased 20 per cent to a new record high level of £237 million, six times that of 1946.

In the year 1956 the United States equalled Australia as the United Kingdom's best overseas customer. In 1956 total United Kingdom exports of motor cars fell by more than 55,000 units. But the number exported to the United States increased substantially.

The United States imported foreign shipping services to the tune of about 1,400 million dollars (£500 million) in 1956. Our tourists spent a further thousand million dollars (£350 million) abroad each year.

Our armed forces spent another \$3,000 million (over £1,000 million) abroad each year. In addition there has been a steady outflow of private United States investment capital to other countries, and continued grant-aid by the United States Government.

As a result of all these factors, the total outflow of dollars from the United States in recent years has been substantially greater than the amount which other countries have spent in the United States. Thus, as I said before, foreign gold and dollar assets have increased by well over £4,000 million.

French Settlement in Algeria

ORIGINALLY non-existent, the non-Moslem population of Algeria owed its first appreciable growth to the first Governor-General, General Bugeaud. The type of colonisation which he began was continued by various methods until the war of 1914-18. Bugeaud's ideal was that of the 'soldier-farmer' who would be a pioneer of Western civilisation in the hinterland and also capable of handling a gun if necessary.

When he left, there were 100,000 non-Moslems, only 15,000 of whom were settled on the land. At the beginning of the Third Republic, this figure reached 250,000 and in 1939, 920,000. The war did not interrupt its growth and the last census, in 1954, gave a figure of 1,043,000. The number of Europeans in Algeria is now about 1,200,000.

Until 1851, when the trend was reversed, it was immigration alone that made for an increased European population, as the death rate was much higher than the birth rate. This fact is readily explained by the relative shortage of women. From 1900 to 1948, the excess of births over deaths came to 300,000 whereas the immigrants accounted for only 80,000. This development explains why, in our day, 87 per cent of the French residents of Algeria were born on African soil, whereas some

of them have been settled there for three or four generations or more.

Descendants of very modest families settled in a country without great resources, they have transformed this country but have not been able to make it into an Eldorado. The farmer has come up against the shortage of good land, the industrialist against the absence of sources of power, the merchant against the virtual non-existence of a local market and the distance from Metropolitan France.

On the other hand, the entrance of Algeria into an economic circuit of the Western type created a demand for technicians which the Moslem population was unable to furnish. It was this factor which enabled the French settlers to find their permanent place. The original concept of the 'French colon', which could never be put into practice, quickly gave way to a reality: the French technician. That is the precise role of the minority of European stock. It constitutes the corps of technicians without whom Algeria would fall back, at least for the time being, to the low standard of living of Yemen.

French not a 'Leisured Class'—

Algeria's metallurgical industry, for example, employs about 30,000 non-Moslems, divided as follows:

employers or managers:	149	highly skilled workers:	5,000
supervisors:	378	apprentices:	2,600
foremen:	1,250	unskilled workers:	542
semi-skilled workers:	15,000	artisans:	3,500

Based on a Social study by Pierre Deschamps, published by the Central Office of Documentation and Information on North Africa in 'Connaissance de l'Algérie'

The majority of the Frenchmen employed in this industry hold neither supervisory positions nor the more humble jobs but two thirds of them are either semi-skilled or highly skilled workers.

The same applies to a very different sector, the fishing industry. Out of 4,707 fishermen of European origin, there are:

masters:	42
artisans:	767
warrant officers:	199
highly skilled seamen:	3,586
cabin boys:	91
unskilled seamen:	22

With regard to non-agricultural occupations as a whole, out of an active male population of 223,000 the categories 'semi-skilled workers' and 'highly skilled workers' alone comprise 115,000 men, or more than half the total number. Supervisory personnel account for 36,000, and there are 38,000 artisans and 13,700 employers.

In agriculture—where, according to certain quarters, the European population supposedly consists of nothing but white-handed exploiters—it should be noted that out of 36,000 European men connected with this sector, those who do not own land represent almost half. Of these, 14,000 men, from the foreman to the highly skilled agricultural worker, are wage earners.

—Nor Exploiters

In view of these statistics, which disclose a real working class, it is difficult to cling to the slogan that equates Frenchmen with 'colons' and exploiters. It is even more difficult to do so because a good many of the wives or daughters of these supposed millionaires have to go to work if

the family is to meet its commitments. According to the 1948 census, 72,000 European women held paid positions, or 30 per cent of the corresponding active female population.

To close this brief survey of the occupations of Europeans in Algeria, following is their distribution within each category:

Fisheries and forests	1.6%
Agriculture	12.5%
Mines and excavation	1.1%
Technicians and manual labour in conversion industries	30.2%
Transport and handling	6.4%
Commerce	11.1%
Personal services	8.6%
Administration and intellectual professions	23.6%
Army	4.9%

Interpenetration of Two Economies

The most important conclusion which emerges is the sign that a slow process of interpenetration is taking place in the development of the two economies, the European and the Moslem—or better still, the Western and the traditional.

There was a time when there were enough unskilled workers among Algeria's European population to enable the Western type economy, which took root in Algeria, to operate normally without help from the Moslems. It constituted a sort of closed circuit, which existed side by side with the traditional-type circuit. That era is not very remote.

More and more economic symbiosis developed between the Europeans and the more advanced Moslems, who lived in the cities or the villages founded by the Europeans. It started at the bottom: the Moslem

workers took away from the European worker the jobs that required only limited training while the Europeans, as a result of the specialisation and growing technical complexity of the economy sought and, up to now, found new openings.

Yet, this desirable and even indispensable competition cannot exist without some difficulties on the human level. Clashes can be anticipated between the Moslems whom the French have educated and Europeans in modest circumstances, as they try to obtain small jobs. The recent measures taken by the Government to promote the social advancement of the Moslems—granting them special opportunities in tests and competitive examinations, and requiring a certain percentage of Moslem employees to be engaged—will make it necessary for the Europeans to readjust themselves, which they are ready to do provided their rights, freedom and property are safeguarded.

Income of the 'Average Frenchman'

The Europeans in Algeria are roughly divided into three categories: wage earners, middle class, wealthy class, whose average annual per capita incomes are as follows:

	Number of persons	Average per capita income
Wage earners	500,000	£120 approximately
Middle class	600,000	£194
Wealthy class	15,000	£1,540

FRENCH UNION'S VISION

In this twelfth year of the courageous, persistent, and very costly effort to seek oil within the French Union, the measure of success achieved will serve as an inspiration for the still bigger tasks within the present five-year plan and beyond. The vision ahead is to render the French Union self-sufficient in oil. This is still a distant goal, but as the Bureau de Recherches de Pétroles rightly claims, it can now no longer be regarded as impossible of attainment.

UNITED KINGDOM TRADE WITH ARGENTINA

U.K. EXPORTS AND GENERAL IMPORTS	1955		1956	
	£000s	%	£000s	%
EXPORTS (f.o.b.)—TOTAL	23,479	100.0	17,320	100.0
Live animals for food	377	1.6	119	0.7
Coal, coke and briquettes	606	2.6	334	1.9
Coal	409	1.7	—	—
Chemicals	4,629	19.7	3,319	19.2
Rubber manufactures	77	0.3	17	0.1
Paper and manufactures	821	3.5	369	2.1
Miscellaneous textile manufactures	93	0.4	99	0.6
Miscellaneous non-metal mineral manufactures	1,021	4.3	290	1.7
Iron and steel	4,490	19.1	4,442	25.6
Tinplate	2,997	12.8	3,154	18.2
Non-ferrous base metals	489	2.1	214	1.2
Metal manufactures	577	2.5	306	1.8
Machinery other than electric	4,008	17.1	3,640	21.0
Textile machinery	381	1.6	196	1.1
Electric machinery	1,714	7.3	972	5.6
Railway vehicles	570	2.4	467	2.7
Road vehicles and aircraft	1,683	7.2	1,469	8.5
Chassis for motor vehicles	678	2.9	577	3.3
Aeroplanes, etc.	292	1.2	327	1.9
Scientific instruments, etc.	442	1.9	233	1.3
Miscellaneous manufactures	153	0.7	81	0.5
EXPORTS AND RE-EXPORTS	23,974	—	17,626	—
IMPORTS (c.i.f.)—TOTAL	86,652	100.0	92,530	100.0
Meat and preparations	53,256	61.5	56,545	61.1
Beef and veal, fresh, etc.	27,454	31.7	34,709	37.5
Mutton and lamb, fresh, etc.	7,997	9.2	6,901	7.5
Beef and veal, canned	11,596	13.4	8,227	8.9
Dairy products, eggs, etc.	2,426	2.8	3,283	3.5
Butter	2,293	2.6	3,131	3.4
Cereals and preparations	12,724	14.7	13,139	14.2
Maize	2,192	2.5	4,076	4.4
Wheat	10,484	12.1	8,599	9.3
Feeding stuff for animals	5,850	6.8	5,411	5.8
Hides, skins and furskins, undressed	2,478	2.9	2,934	3.2
Wool and other animal hair	6,587	7.6	6,370	6.9
Sheep's and lambs' wool, raw	6,344	7.3	6,020	6.5
Cotton	669	0.8	125	0.1
Animal and vegetable oils, fats, etc.	729	0.8	1,672	1.8
Linseed oil, raw	331	0.4	1,031	1.1
Chemicals	1,202	1.4	1,319	1.4
BALANCE OF TRADE	-62,678	—	-74,904	—

From Accounts relating to Trade and Navigation of the United Kingdom

UNITED KINGDOM FOREIGN TRADE
£s million

	Imports	Exports (including re-exports)	Adverse Balance
1938	920	532	388
1948	2,078	1,646	432
1949	2,275	1,844	431
1950	2,608	2,256	352
1951	3,904	2,707	1,197
1952	3,477	2,728	749
1953	3,343	2,688	655
1954	3,374	2,775	599
1955	3,881	3,024	857
1956	3,889	3,318	571

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Digest Reviews

ONE OF ANOTHER

Christianity and Race. The Burroughs Memorial Lecture, 1956, by Philip Mason. Lutterworth Press; 10s. 6d.

Not all lectures published as a book read as well as these. Mr Philip Mason who, as Philip Woodruff, charmed many readers with works of history and fiction about the Indian Empire, writes with a sympathy for those whose opinions he rejects which makes his own view of the right and Christian approach to the relations of races the more forcible and impressive.

Some may think that he reads more difficulties into parts of the New Testament than is really necessary but this is a book which will be of value to many who will not accept its conclusions. One of many fascinating suggestions made is that equality between the different races in a multi-racial society might lessen the desire for inter-marriage.

STORMY CHARACTER

The Life of Hilaire Belloc, by Robert Speaight. Hollis and Carter; 30s.

The appraisal of Belloc's social philosophy and the politics of the day from which he took so speedy and deep an aversion are less satisfactory features of a life which is unlikely to be superseded for many years.

Mr Robert Speaight brings back to brilliant life the stormy, sometimes mischievous, Catholic convert, the poet of many haunting verses, the historian of greater perception and scholarship than is usually admitted, the man of France and of Sussex, the Artilleryman and sailor, the lover of old ways who was also on the side of the French Revolution but yet against

Dreyfus, a great man of many parts and many paradoxes.

Mr Speaight corrects some misconceptions. Thus he says that although for Belloc Europe was the Faith and the Faith was Europe, he did distinguish, despite what was alleged, between Europe and Christendom.

LION IN THE DESERT

Sultan in Oman, by James Morris. Faber; 16s.

Anyone who has commanded Oriental irregulars or served as Political Officer on the Asian frontiers of British influence will find this book nostalgic. It is a racy, readable account of a punitive expedition recently undertaken by a Sultan against a turbulent Iman.

Behind the Red Flag of Muscat stood the Union Jack and involved in the politics and dissidence which evoked the expedition was the struggle for Middle East oil. Mr Morris quotes the *New York Times* as saying that 'whoever controls these new sources of oil may control the main sources of energy of the world until atomic energy becomes available'. To this the author attributes the 'uncharacteristic force and decision' with which Whitehall backed the Sultan and the British oil men and expelled from Buraimi Saudi troops borne by Aramco transport.

FIGHT FOR FREEDOM

The Hungarian Revolution, by George Mikes. Andre Deutsch; 12s. 6d.

This stirring account of the events that led up to the tragic events in Hungary, and the actual happenings in October during the few glorious days of freedom which the Hungarian people enjoyed, is here well told by an eye-witness of the rising.

EUROPEAN INTEGRATION

The Council of Europe. Its Structure, Functions and Achievements, by A. H. Robertson. Stevens and Sons; £2 2s.

United Kingdom Trade with Europe, by F. V. Meyer. Boves and Boves; 21s.

The first of these useful books gives a comprehensive account of the work and achievements of the Council of Europe. It supplies detailed information on the duties and responsibilities of the Committee of Ministers composed of the Foreign Ministers of the member nations; of the Consultative Assembly comprising 200 M.P.s from 15 different countries; and the Secretariat. It describes the Council's varied activities in connection with political, economic, social, legal and other problems, also its relations with the United Nations and other international organisations.

M. Guy Mollet contributes a foreword.

In the second study Dr Meyer has provided an invaluable background of information on a subject of topical controversy, namely Britain's relationship with the proposed Common Market in Europe. This timely book provides much factual material which will enable the reader to form a balanced judgment.

Part I contains the basic analysis, Part II gives a statistical analysis of the progress made to expand British trade with O.E.C. countries. The author challenges the widely-held view that Britain has dragged her feet in economic co-operation with Europe. He concludes that 'United Kingdom has given more to Europe than she has received as a result of changes in commercial policy since pre-war days'.

It is a heart-breaking story, so much idealism and heroism exhibited by people, young and old, who had rebelled against the senseless indoctrination by the Soviets. Yet, as the author himself says—'Hungary is back where she was before the revolution, indeed a few steps further back'.

Sixteen pages of photographs taken during the revolt provide a dramatic background to a story which should be read by all who care for freedom. The publishers have announced that net profits on sales of the book will be given to three organisations for the relief of Hungarian refugees.

U.N.O.

The Second Lesson, by Bernard Moore. Macmillan; 21s.

For seven years, Bernard Moore was resident correspondent for the B.B.C. at the headquarters of the United Nations. In the thirties he was resident correspondent for a number of leading English newspapers in Geneva. He is, therefore, singularly well equipped to tell this story of the development of the United Nations since this experiment in international co-operation was initiated.

Mr Moore has a keen sense of humour, and he gives an entertaining picture of the personalities at U.N.O. He manages to impart quite a bit of inside information, and though he obviously sees the failure of the organisation to live up to its earliest hopes, he nevertheless does not become cynical in his approach. Of particular interest is his account of the way in which the partition of Palestine was forced through the Assembly, largely through the insistence of Mr Lie, then Secretary-General, and the activities of the American lobby.

TRADE ASSOCIATIONS

Industrial Trade Associations. Activities and Organisations. P.E.P. Geo. Allen and Unwin; 30s.

This is a further useful study by P.E.P. The Report covers the whole field of British manufacturing industry and is the result of two and a half years of research, during which time nearly 900 firms were surveyed to discover their opinions on the value and use made of the associations of which they were members. Over 1,300 trade associations, both large and small, are classified and listed in the register. The authors have succeeded in their aim of presenting a balanced and comprehensive account of industrial trade associations.

SEQUEL TO OUTRAGE

Counter Attack against Subtopia, by Ian Nairn. The Architectural Press; 12s. 6d.

This is a sequel to 'Outrage', the outspoken book which introduced the word 'Subtopia' to describe the mess we are making of our towns and countryside. It is intended to provide those who would resist this continued spoliation with the necessary ammunition. Forty pages of photographs show how well-designed and well-sited objects can improve appearances without destroying amenities.

EDITOR OF 'NATURE'

Sir Richard Gregory, by W. H. G. Armytage. Macmillan; 21s.

Professor Armytage has written an inspiring and sympathetic biography of Sir Richard Gregory, one-time newspaper-cum-pantry-boy, who

became one of the leading educationists and scientists in Britain, a Fellow of the Royal Society and editor of 'Nature'. It is a story of a life of tremendous activity told in part by the quotation of letters written to many distinguished contemporaries in different fields of endeavour.

Gregory's real contribution to the twentieth century, says the author, 'was his management of "Nature" and his use of it to display the forces of science in the cause of human advancement'.

A MEASURE OF PURITANISM

The Puritan Tradition in English Life, by John Marlowe. The Cresset Press; 16s.

In this interesting book, Mr Marlowe contends that the religious opinions and theological theories of the sixteenth and seventeenth century English Puritans provided the foundation on which both the achievements and limitations of the Victorian English middle class were based. He says of Puritanism that it 'liberated great and beneficent energies in man without providing the spiritual means by which he could use these energies for the greater glory of God'.

He traces the thread of the Puritan tradition in English life, its effect on the increasingly prosperous middle class, who tended to be dominated by an extraordinary mixture of self-interest and moral obligation—of worldliness and other-worldliness, which typified the Victorian middle class family. He concludes that 'a society consisting entirely of Puritans would have been intolerable' but 'a measure of Puritanism is a valuable ingredient both in society and in individual character'.

CHRISTIAN SOCIALIST

The Life of Richard Stafford Cripps, by Colin Cooke. Hodder and Stoughton; 30s.

This is the official and admirably-written life of a brilliant barrister and devoted statesman who, like many radical reformers, was a landowner of lineage. Richard Stafford Cripps was, as Sir Winston Churchill said, 'the soul of honour': Mr Colin Cooke says that, like Archbishop Temple, many of whose opinions on social questions he shared, was 'jolly'. Cripps's frugality was a means to an end; he was never a killjoy. Yet Mr Cooke is more successful in establishing the sincerity and goodness of his subject than in demonstrating those touches of character and idiosyncrasy which make the great ones seem human than lesser mortals.

This is a dignified biography written from outside the hurly-burly. More detail might in places have made for greater interest. We are told in a footnote that Sir Stafford had been thinking in terms of Pakistan after his visit to India in 1940. We are told nothing more than that. Sir Stafford—who was often wrong, or right for the wrong reasons—is stood on a pedestal and the events of his time are viewed as though more than two or three decades have elapsed since he campaigned for a United Front of the workers and then for a wider Popular Front to 'save' Republican Spain, Britain and peace.

Cripps was expelled from a Labour Party which refused to co-operate with the Communists or the Churchillian Right. Secular heresy hunts are likely when radical ideology overlays religious faith. Cripps himself belonged to the Christian element of the British Labour Movement. Morgan Phillips attributed his Party's philo-

sophy more to Methodism than to Marxism; Cripps, like his father, Lord Parmoor (the Cripps of Cripps on *Church and Clergy*) was a staunch Anglican and the place of the Establishment in English life and its right to a social doctrine as well as to liberty from civil domination were matters of the greatest moment to father and son.

SHORTER NOTICES

The Commonwealth Relations Office List 1957. An Official Year Book. Sixth Edition. H.M.S.O.; 21s.

This is an invaluable handbook for all those who are interested in Commonwealth affairs. It covers many aspects of Commonwealth development, including such important items as the Colombo Plan and developments in the Federation of Rhodesia and Nyasaland. This is an essential reference publication.

Capital Formation in Residential Real Estate. Trends and Prospects, by Leo Grebler, David M. Blank and Louis Winnick; 80s.

This study examines long-term trends in capital formation and financing in the United States. The authors seek first to measure and otherwise describe the formation and financing of capital in non-farm residential real estate from 1890 to 1950, and, secondly, to identify the strategic factors that have determined capital formation and financing in this sector of the U.S. economy. Their third aim is to assess the present and prospective position of these forces as they bear upon the future course of residential construction and its financing. There are a large number of tables and charts.

Business Forecasting in Practice. Principles and Cases. Edited by Adolph G. Abramson and Russell H. Mack. Chapman and Hall; 52s.

This book is designed to give the reader specific information on how business forecasts are prepared and to indicate how existing studies of business cycle causation could be utilised more fully. The chief emphasis is on short-term forecasts. Six individual cases are presented by well-known U.S. economists.

Science and Economic Development. New Patterns of Living, by Richard L. Meier. Chapman and Hall; 48s.

Dr Meier traces out new ways for economic development in the light of recent developments in the realms of science and technology. He shows the possibility of adequate living standards for everyone based on an imaginative but at the same time realistic assessment of local and world resources. The opening chapters examine the present world predicament, and then the author surveys possible new sources of food and fuel, and finally new patterns of living.

Economic Analysis, by Edward Whitaker. Chapman and Hall; 52s.

The author of this study is Professor of Economics at the Colorado Agricultural and Mechanical College. He gives the readers an introduction to economic analysis and examines some of its applications to our present-day economy. The book is intended for students, with a minimum use of mathematics. In Part I principles and procedures are examined. In Part 2 these are applied to the present economic situation.

Theoretical Welfare Economics, by J. de V. Graaf. Cambridge University Press; 22s. 6d.

A valuable survey of contemporary welfare economics intended primarily for professional economists and more advanced student. Dr Graaf considers that economists generally would be more likely to contribute to the welfare of humanity by a matter-of-fact study of how the economic system works than by attempting to impose their own theoretical recommendations.

USEFUL GUIDES

Year Book and Guide to Southern Africa—1957. 10s. 6d.

Year Book and Guide to East Africa—1957. 8s. 6d. Both edited by A. Gordon-Brown. Published for the Union-Castle Line by Robert Hale.

These two admirable guide books provide all that the intending traveller requires to know about these territories. The first covers the Union of South Africa, the Federation of Rhodesia and Nyasaland, South-West Africa, Basutoland, Bechuanaland and Swaziland. The 1957 edition covers a number of new developments, such as the Sasol project for producing petrol from coal, and the Kariba Gorge Hydro-Electric Scheme.

The companion volume on East Africa deals fully with Kenya, Uganda, Tanganyika, Zanzibar, Portuguese East Africa and Mauritius. It also covers Egypt, the Sudan, Eritrea, Somaliland, Ethiopia, Congo, Madagascar, Reunion and the Seychelles Islands.

Both books are amply provided with maps in colour, route diagrams, town plans, etc.

Readers' Commentary

A WAY TO REDUCE RENTS AND TAXATION

FROM SIR ALLIOTT VERDON-ROE, Long Meadow, Rowlands Castle, Hants.

It has been suggested in the February issue of the *Midland Bank Review* that the time may well have come for a fresh authoritative inquiry into the monetary system.

The inquiry should be held as soon as possible since the root cause of economic chaos, ever-increasing unpayable debts, crushing taxation, falling value of money, rising prices and the resultant strife can be traced to a flaw in the monetary system.

Meanwhile a step in the right direction could be carried out by the Bank of England, which is a national institution belonging to the people.

Why not use it? The builders of houses, works, offices, etc., could be paid for by the Bank of England with

its cheques, then these properties would belong to the nation. The Inland Revenue could then collect the reasonable rents charged, thus helping to reduce taxation.

This would be inflation of the right kind. At the back of this newly-created money would be the valuable properties, far better than any so-called gold backing which is an absurdity. For the only sound backing to money are the millions of things and services which money buys.

John Adams said: 'All the perplexities, confusions and distresses in America arise from downright ignorance of the nature of coin, credit and circulation.'

SHOPKEEPERS' PROFITS

FROM E. B. BEATON, Larkfield, Balblair Road, Nairn.

It is 'the mode' to criticise shopkeepers' profits, and infer that a shopkeeper personally pockets heavy profits for his or her personal pleasure, thus denying the customer cheaper goods or services, etc., etc.

'Spotlighting' such profits reveal factors not usually publicised, but nevertheless in daily operation in retail distribution.

First, shopkeeping profits are based upon chance, i.e., upon the shop's selection of new stock-in-trade selling or not selling.

No shopkeeper is always right in his or her selection of stock, and when, for example, Purchase Tax is based upon the unsold articles, the shopkeeper bears the loss of the tax

which is upon the article when it enters the shop portals.

The fallacy so prevalent nowadays of always referring to 'profit' without its concomitant 'loss', and in the accountancy phrase 'profit and loss' ignores this factor of chance in retail buying, with the result that if the trader has a reduced profit margin, his choice of stock will be limited to this reduced margin, thus enabling the buyer only to have a poor choice of price, colour, style, or quality in the merchandise sought.

Secondly, increased profit margins encourage the trader to place before the customer greater ranges of stock, such as heavier stocks of accessories for servicing popular articles in daily use, or original stocks from other

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).

Common Market

Western Europe—Facts on a Market of 280,000,000 people. The British Market Research Bureau.

The fourth edition of a volume outlining the economic situation of Western Europe. (922)

G.A.T.T.

Basic Instruments and Selected Documents.

This fifth supplement is mainly composed of the decisions, resolutions, and working party reports adopted by the Contracting Parties at their Eleventh Session held in Oct.-Nov. 1956, together with others

approved between the Tenth and Eleventh session. (923)

Money and Banking

Report of the New Zealand Royal Commission on Monetary, Banking and Credit Systems, 1956. (924)

European Productivity

The Supply of Capital Funds, for Industrial Development in Europe: Resources—Structure—Methods. O.E.E.C.

A study of the arrangements by which the supply of capital for industrial development is channelled into productive investment. (925)

I.M.F.

Summary Proceedings Annual Meetings, 1956. International Monetary Fund.

Proceedings of the eleventh Annual Meeting of the Board of Governors. (926)

European Reports

Economic Conditions in Greece. (927)
Economic Conditions in Turkey. (928)
O.E.E.C.

Shopkeepers' Profits (continued from previous page)

trader is likely to take a chance with merchandise suited to his customers, thus with good fortune increasing his returns, helping the buyer, and the State with more Purchase Tax and increased Income Tax.

A 'good' profit margin will benefit trader, customer and State, since the

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Talking Points

U.S. Recession?

A 'rolling adjustment' has been apparent. Automobile and other lines of production have flagged.

But The number of people in the U.S.A. seeking jobs is growing and with it the need to expand the productive machine. The U.S. economy is more effectively regulated than its free enterprise basis would suggest.

The U.S. Commerce Department's Business Advisory Committee forecast a rise in business activity during the rest of 1957.

Was it wise to accept Nasser's terms for the use of the Suez Canal?

The Suez Canal Users' Association was disunited.

France, who stood firm, had relatively fewer ships involved. The U.S.A. was unhelpful.

It would have been injurious to the U.K. economy and dollar balances to deny British shipping advantages enjoyed by competitors.

The British Government was 'gun-shy' after the experience of the Autumn.

But The terms were accepted when Nasser had lost prestige for his failure to swallow Jordan and the Egyptian economy, largely mortgaged to the Soviet bloc, was crumbling.

History and experience show the danger of making concessions to aggressors.

The British and French Middle Eastern positions were further endangered, from Algeria through Cyprus to the Persian Gulf. The Anglo-French *entente* was weakened.

Digest Spotlight focuses on

The Radcliffe Committee

THE Chancellor of the Exchequer has now announced the names of the members of the Committee to enquire under the Chairmanship of Lord Radcliffe into the working of the monetary and credit system. Two are economists, two are trade unionists and four are business men. Those appointed in addition to Lord Radcliffe are: Professor A. K. Cairncross, who is Professor of Applied Economics at Glasgow University and was formerly economic adviser to the O.E.C.; Sir Oliver Franks, who is Chairman of Lloyds Bank, and was British Ambassador at Washington from 1948 to 1956; Viscount Harcourt, formerly U.K. Financial Adviser and Economic Minister in Washington, and U.K. Executive Director of the International Bank and the International Monetary Fund. Lord Harcourt is now Managing Director of Morgan Grenfell & Co.

Mr W. E. Jones is president of the National Union of Mineworkers and a former mine-worker who was regional labour director of the Ministry of Fuel and Power during the last war. Professor R. S. Sayers is Sir Ernest Cassel Professor of Economics in the University of London and was economic adviser to the Cabinet Office from 1945 to 1947. Sir Reginald Verdon Smith is Chairman and Joint Managing Director of the Bristol Aeroplane Co. and is Director of Lloyds Bank and other concerns as well as a member of the Economic Planning Board.

The second trade unionist is Mr George Woodcock, assistant general secretary to the T.U.C., and a former

secretary to the T.U.C. Research and Economics Department. Finally, Sir John Woods, who is a former Permanent Secretary to the Board of Trade, who retired from the Civil Service in 1951. He is now director of the English Electric Company and a number of other companies. Mr R. T. Armstrong, of the Treasury, is to act as Secretary to the Committee.

The terms of reference of the Committee were given by the Chancellor of the Exchequer in his Budget Speech on 9th April, 1957, when he said:

'A Committee will be set up with terms of reference to enquire into the working of the monetary and credit system and to make recommendations. The enquiry will be primarily directed to reviewing the working of the system in the conditions of today, taking particularly into account the great influence now exerted upon it by the public finances and the need to maintain a high level of savings and investments. It will be concerned with the achievement of the best possible system of money and credit while observing to the full the international obligations, in the matter of the exchange rate and in other matters, which Her Majesty's Government have assumed and have every determination to honour.'

This is the first enquiry that has been made into the working of money and credit since the advent of a 'managed currency'. The 'Macmillan Committee' was appointed in November 1929 and reported its findings in July 1931, but this was at a time when the Gold Standard was still considered practical.

Whither the Rate of Interest?

By GILBERT JACKSON, O.B.E.

THE Royal Commission on Canada's Economic Prospects has established beyond peradventure that (if, in the meanwhile, we do not destroy totally this globe on which we live) for decades to come the rate of economic expansion will be remarkably fast in this country. The Report indeed suggests that perhaps there has never been anywhere else, on the same scale, a sustained period of expansion so rapid.

In other words, we should really not be surprised when, in the competition of *entrepreneurs* against one another for money, materials and men, momentary pressure gathers up and launches a wave of inflation on our society.

So long as our epoch of rapid expansion continues, we shall be threatened by these waves again and again.

Pleading guilty to the charge of changing my metaphors (for, of course, one cannot check the course of waves by putting on the brakes), I suggest that during the next few decades we probably shall find ourselves again and again in much the same situation as is vexing us now.

For twentieth-century men it is a fearsome prospect. Faced with a similar problem, their grandfathers in mid-nineteenth century (forthright fellows!) would have raised the rate

of discount and kept it long enough at such a level as to destroy the business boom, and thereafter would have waited passively for the signs of recovery.

But that was before the Keynesian era.* Nobody then talked, or even thought about, Full Employment. Not until after the crash of 1929 was it suggested seriously that treasuries and central banks are bound by duty so to manage our affairs that there shall not be bread-lines and soup-kitchens.

What would now be the political result if today's business boom were to be destroyed by the same restrictive action of increasingly 'tight money', which once or twice in every decade of the nineteenth century caused widespread unemployment?

Policies in Reverse

Any Member of the House of Commons—indeed, any voter—could answer that question. For better or worse, the policies would quickly be put in reverse which had produced or permitted the creation of such unemployment.

No matter though the reversal of these policies must inevitably bring a recurrence of inflation, and thus merely repeat the cycle of inordinate borrowing at low rates of interest, followed by the mounting competi-

* Perhaps in this alphabetical age (when millions of us would rather look at letters one at a time than read entire words) economists might conveniently write A.B. when they mean After Beveridge; and B.K., when they mean Before Keynes.