

How much More Inflation in the U.S.?

By DEXTER M. KEEZER and E. RUSSELL EGGERS

IN THE nature of the American political economy, there are important limitations to what can be done through the general control over the supply of money and credit. If, for example, the Reserve authorities were to try so to restrict the total supply of money and credit that there would not be enough available to permit price increases prompted by wage increases, the pressure thus exerted would be almost bound to have some adverse effects on prices occupying essentially the role of innocent bystanders. Thus, so long as the Federal Reserve authorities cannot pin-point their measures so as to spare innocent bystanders, they are under special compulsion to apply monetary and credit restraints with great care. In the same way, the Federal Reserve can exert a credit and monetary squeeze tight enough to be plausibly charged with having contributed directly to unemployment only on pain of courting a prompt and violent reaction in Congress.

It may be, and indeed is, argued that the incidental suffering of the innocents attending the broad exercise of monetary and credit controls is a cost we must pay if prices are to play their key role in allocating resources effectively within the limits imposed by a generally stable price-level. If, however, the innocents are also politically powerful, as they well may be, their complaints will be

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heard and influential in political circles from which, in the last analysis, the Federal Reserve cannot be completely detached.

Putting on the Lid

Through the exercise of their broad powers over money and credit, however, the Federal Reserve authorities can both temper inflationary forces and do much to establish the general economic climate in which these forces have a tendency to expand or wither. As far as a 'cost-push' inflation is concerned, the Federal Reserve can use its powers to make it difficult for companies to pass on wage boosts in higher prices with the freedom they enjoyed in the immediate post-war years, when the economy was already pumped full of much excess purchasing power. In other words, by putting on the lid, the Federal Reserve can create pressure for rising costs to be absorbed somewhere along the line—and so prevent such creeping inflation as does occur from gathering momentum and spiralling into a runaway inflation.

Similarly—and this is the other side of the same coin—the Federal Reserve authorities can cut down on new credit which would be used to bid up the price of scarce goods and materials. In 1955 and 1956, steel and most types of producer equipment were, with the pronounced boom in capital expenditure, in relatively short

supply. Naturally enough, the most rapid rise in prices (about 13 per cent in a year and a half) was concentrated in this sector of the economy.

The Main Question

This brings us to the main question. Is restraint of this kind enough to prevent wage-cost-price inflation from riding for a disastrous fall? The answer is clearly 'no' and made so quite explicitly by the opening section of the President's Economic Report this year, which stated:

The full burden of avoiding price inflation, which is an ever present hazard in an expanding economy operating close to capacity, cannot be successfully carried by fiscal and monetary restraints alone. To place this burden on them would invite the risk of producing effects on the structure and functioning of our economy which might, in the years ahead, impair the vitality of competitive enterprise.

Fortunately, this very cautiously worded warning is not the end of the story. As has been indicated, the rapid rise of the general price-level in 1956 was the result of an unusual combination of circumstances which is not likely to be repeated, at least in that form and in the same degree. This combination included the reversal of a downward course of farm prices which had offset rising industrial prices in the general average, a slowing up in the improvement of industrial productivity that put upward pressure on industrial costs and prices, and an enormous boom in business investment in new producing facilities with a further buoyant influence on industrial prices.

Two results of this surge of business investment in 1956 are clearly to

be expected, and both of them will have a retarding effect on wage-cost-price inflation. As the heavy installation of new equipment gets shaken down, it will increase industrial efficiency greatly and thus provide the potential, at least, for a resumption of a rapid increase in the productivity of labour. Further, the investment made in 1956 gives industry a long life toward being amply equipped with producing capacity. Since the root cause of price inflation is relative scarcity of goods this constitutes a major drag on price inflation.

Powerful New Forces

President Eisenhower has eloquently called for restraint on the part of both unions and employers in raising prices, either through cost-increasing agreements on wages or the marking-up of prices for other unjustified reasons. It is always possible to hope that careful heed will be given to this request, but the record of 'jaw-bone control' of either wages or prices, as it has been vulgarly characterised, is not one of notable success. However, there are powerful new forces at work and in prospect which hold promise of exercising a restraining influence on the future course of 'cost-push' inflation. In summary form, they include:

1. The resumption of rapid increase in the productivity of industrial labour.

2. The attainment of ample capacity in almost all lines of industrial production.

3. The creation of confidence that the Federal Reserve authorities have considerable powers to temper inflation, and have the disposition and political independence to exercise them, if necessary.

proper retrospect to have been the result of an unusual combination of circumstances—an amalgam of many inflationary pressures—which could not be held completely in check by monetary and credit restraints. There are grounds for believing that this will not be a recurrent state of affairs in the United States in the next decade.

Exports to Russia

THERE have been political problems between the U.K. and the U.S.S.R., not the least being the Hungarian uprising. In spite of these complications, however, there has been a steady increase in Anglo-Soviet trade as the figures below reveal.

There has been a decline in re-exports, but this is principally accounted for by the smaller purchases of rubber in London by the Soviet Union. In addition to the figures published by the Board of Trade of orders completed, there have been some very encouraging signs of a further expansion; for example, the tyre factory to be built at Dnepropetrovsk, for which the first orders running into many millions have already been placed, and the cement plants and beet sugar factories and

many other projects at present being discussed.

Grossing the first seven months' figures published by the Board of Trade, the total direct exports from this country could well be £40.2 million or 52 per cent. increase over last year. Re-exports are running at the rate of £14½ million, making a total of exports and re-exports for 1957 of £55 million. Imports this year are running at the rate of £54 million, which compared very well with £55 million last year. This is a most useful development of Anglo-Soviet Trade, when you consider that the total exports in 1953 were only £3.3 million, 1954 £10.1 million, 1955 £22.9 million, and last year £26.3 million.

Extract from a speech by J. B. Scott, Chairman of the Russian Section of the London Chamber of Commerce, 2nd October, 1957

DIGEST SPOTLIGHT—continued

Tory philosophy, with its religious inspiration, its tradition of Conservative continuity and Radical innovation. His aims are not modest. He seeks to inspire a Party shaken by world events, its rank and file lowered in their spirits as well as their savings; and believing that Conservatism is only another way of being British he aspires to a leading part in the revival of the national morale.

price increase to backfire in the form of lower sales and unemployment, rather than to have greater exactions comfortably imposed upon the consumer. And for reasons which have already been indicated, there is good reason to believe that we are moving into a period when this possibility will have a tempering effect on demands for wage increases that are bound to push up costs and prices because they are clearly in excess of any prospective increase in productivity.

Full Employment—Inflationary?

This is by no means equivalent to a conclusion that 'cost-push' inflation is a thing of the past. On the contrary, when the monopoly power of unions in key industries is coupled with a governmental commitment to maintain full employment, forces which exert a powerful upward thrust on wage costs are clearly unleashed. Indeed, it is the contention of many economists, particularly in the United Kingdom, where the problem is so acute, that a full employment policy is largely an inflationary concoction. As early as 1951, a correspondent of *The Economist* put it quite bluntly by concluding: 'Inflation is ninetenths of any practical full employment policy.'

Even so, that is not the same thing as saying that the slow-burning cost-inflation which has been built into our full employment economy cannot be kept under tolerably good control. The simple fact is that nowhere in economic history has there been a case of runaway inflation when an eye is kept on such fundamentals as control over the money supply and a reasonably balanced budget. Rather, there is good reason to believe that the alarming spurt of price inflation in 1956 will be seen in

4. Increasing intensity of competition in almost all lines of American business.

Monopoly Powers

There is no doubt that unions in a number of key manufacturing and service industries have been equipped with monopoly powers which they can use to exact wage increases that raise costs and hence, if the employers are to remain solvent, prices. There is also no doubt that there are some employers who, in the process of meeting the increased wage costs by increasing prices, have a ready disposition to add a little something extra for good measure to such price increases when they are confident they can get it.

Under especially propitious circumstances, like those prevailing in the spring of 1955, powerful unions may be able to exact wage increases so large that—even with the best monetary policy—prices are sure to go up in the industries concerned. In 1955, the United Auto Workers obtained a wage increase of more than 20 c. per hour, thus setting the pattern for similar agreements in other basic industries. This was such a complete 'break-through' of the established wage pattern as to put almost irresistible pressure on the industrial price structure. In most years, however, the capacity of the unions to put such strong pressure on wage rates is sharply limited by the increasing number of long-term wage agreements (of three to five years) and by the fact that union workers constitute only about 40 per cent of all industrial workers and 25 per cent of the total labour force. Thus the effect of a 'break-through' by any one union is reduced in terms of the whole economy.

Also, it is perfectly possible for a

Profit and Loss in the Coal Mines

By R. C. SMART

Coal, the writer says, is one of the main factors in our economy. In this article he contrasts the situation before the war in some of the National Coal Board's main divisions with the unsatisfactory state of affairs today.

ONE of the main factors in the national economy is coal. Indeed our economy would be in a much more healthy state if coal were available for export at the pre-war rate of fifty-sixty million tons a year. Coal exports are of prime importance in negotiating trade agreements, for they are readily exchangeable for food or other raw materials.

Capital investment in the coal industry, which under the 1951 plan amounted to £635 million, has been increased to £1,147 million in 1956. Yet the industry is not operating at even 60 per cent efficiency. The coal export trade is dead, and the overall output has been stationary since 1951—in fact it has increased by only seven million tons since 1949.

At the end of 1956, £560 million had been invested by the Coal Board, of which £425 million went into the collieries. But in 1937, with only 10 per cent more men at work in the mines, 240 million tons of coal were produced—and this in spite of the fact that the pits were operating, by agreement, at only 65 per cent of capacity. Some thirty million tons were lost through lack of trade and there was an unemployment rate of 15 per cent. Thus before the war the output capacity of the industry was about 300 million tons a year.

Increase Possible

Today 86 per cent of coal output is machine-cut and 90 per cent conveyed, compared with 59 per cent

From The Birmingham Post & Gazette, Monday, August 12, 1957

and 54 per cent respectively in 1937. It is clear that the pits today could in theory produce, with ease, at least 280 million tons per annum. But the actual state of the industry today does not make this possible.

In 1956, five of the Coal Board's divisions, Scotland, Durham, North-western (Lancashire, North Wales), South-western (Wales) and South-eastern (Kent), were operating at a loss.

In 1938 Scotland had a credit balance of 1s. 10d. per ton and an output of over thirty million tons—in 1956 there was a loss of 7s. 3d. per ton and an output of only twenty-one million tons. Corresponding figures for the North-western Division in 1938 show a profit of 1s. 10d. and 1s. 2d. per ton and an output of seventeen million tons, compared with a loss of 3s. 8d. and an output of fifteen and a half million tons in 1956. In the same period, 1938 to 1956, output in the Durham coal field fell by six million tons and a profit of 11d. per ton was changed into a loss.

In the South-western Division (South Wales) a profit of 5d. per ton has been converted into a loss of 1s. 10d. per ton, and output has fallen from thirty-eight million tons to twenty-three and a half million tons.

Go-Slow

The position, however, is far more serious than the comparison of these

figures over the period from 1938 to 1956 may suggest, for, as I have already stated, coal output in 1938 was restricted to 65 per cent. Thus the actual decline in output in the last division has been greater than the figures indicate. For example, in 1938 the actual output capacity of the South Wales coalfield was fifty-three millions tons, compared with an actual tonnage raised of thirty-eight million tons.

In the small Kentish coal field, a profit of 9d. per ton has been converted into a loss of 3s. 7d. per ton, with no change in the annual output. Despite the massive increase in mining mechanisation and the investment of some £425 million in capital equipment since 1947, output per man-shift (productivity) of 23.35 cwt. in 1937 has risen to only 24.6 cwt. in 1956. But for the 'go slow' policy at the pits and absenteeism, the output per man-shift would be 30 cwt.

The deplorable situation in Scotland has already been reviewed and if it is examined in the light of productivity, then it is even more grave.

Unofficial Strikes

Thus in 1928 the Scottish output per man-shift was 23.66 cwt., compared with 20.1 in 1956. Similarly, in the South Wales Division output per man-shift has declined from 20.23 cwt. in 1928 to 18.7 cwt. in 1956.

Every year the Coal Board faces some 3,600 unofficial strikes. This figure is increasing. In 1956 it was 3,800. Loss of output for this reason totals two million tons a year. The most serious issue is the decline in national output from a potential level of some 300 million tons a year before the war to 210 million tons a

year for the six-year period, 1951-1956.

Absenteeism, which was 6 per cent before the war, has continued to increase above its post-war level of over 14 per cent, especially since the bonus shift payment was abolished and merged with the ordinary shift payment. The Coal Board agreed to this on condition that the recruitment of foreign workers was supported and that there was less absenteeism and fewer strikes. It is clear from the pattern of events that these conditions, have, as usual, been in large measure ignored.

Failure of Nationalisation

It is evident that the nationalisation of the mining industry is failing. Its most conspicuous weakness is in the field of human relations. Industrial relations in the coal industry are embittered by the miners' sense of self-pity, kept alive by the memory of the lean inter-war years with mass unemployment and poor employment. The industry, up to the time of State ownership, was starved of capital, because those directing it lacked enterprise, and successive Governments followed a policy of drift and timidity.

A Model Employer

The Coal Board has been exploited by the miners time after time, despite the fact that it has been a model employer. Indeed, the character of industrial pressure applied to bring substantial increases in pay without the slightest regard to improved output or better attendance has been tantamount to blackmail on a national scale.

The serious shortage of professional engineers and technologists is reflected in the disappointing in-

crease in annual productivity *vis-à-vis* that of the United States. Far too little determined effort is being made to expand productivity. The customary procrastination is now linked with a belief that good luck will see us through.

All this contributes to the periodic inflationary crises that have been staved off only by borrowed money, restriction on credit and investment.

and various remedies redolent of a Victorian mentality. Meanwhile, the coal industry, far from pulling its weight, has been playing for safety. The withholding of labour and restriction of output by the miner, the apathy of the Coal Board and the Ministry of Power are only equalled by the timidity and lack of direction of the Government.

Public Ownership—Conclusion

THE case for public ownership does not rest on any doctrinaire belief in its inherent and inevitable virtues. Public ownership does not necessarily lead to equality; it is not necessarily more efficient or more enterprising; it will not necessarily revolutionise industrial conduct and relationships. But it is a means, and an essential means, in working towards all these goals. Ownership is the ultimate source of economic power, so that public ownership bestows on the public—through its representatives—certain powers which can be used to encompass certain ends.

There is no guarantee that these powers will in fact be used in the right way for the right ends; but public ownership provides the opportunity. The case for it, therefore, stands. If we want a more socialist Britain we must have more public ownership—particularly of the kind that goes with enterprise and accountability.

From Socialist Commentary, October 1957

No Drastic Change

In a democracy there can only be as much of anything as the electorate will permit. When things are bad, people are more ready to be swayed into countenancing radical experiment, because almost anything seems better than the conditions they know. But today, when so much has improved, it is a different matter. People in Britain are on the whole well-off; they see no reason for drastic change. They can only be won over to new essays in public ownership if they are convinced of the goal and can see how a change in ownership will get them there. Public ownership must therefore be selective, it must be purposive, it must be innovating, it must even be charged with a sense of mission. It must marry idealism with realism. Unless it is all these things, as it could be, and people can see that it is so, politically it will not stand a chance.

From Socialist Commentary, October 1957

Trade Trends

AN analysis of the first six months' trade in 1957, compared with last year, does nothing to relieve the anxiety that may well be felt at the declining position of the Commonwealth in Britain's overseas transactions.

The following table shows in round figures the imports and the exports of the two periods and the increase which has taken place over the past twelve months:

	JANUARY TO JUNE			Exports	
	Imports £ Million		Increase	£ Million	
S.A.	1956	1957	1956	1957	Increase
Non-S.A.	805	839	34	762	15
Com.	1,171	1,259	88	994	71
For.	904	928	24	740	19
I.R.	1,029	1,117	88	795	84
	43	54	11	49	6

It will be seen that as far as the imports are concerned the increase in those we have drawn from the Sterling Area is less than half that on those from the non-Sterling Area. The latter, however, includes Canada and when we compare our imports from the whole Commonwealth with those from foreign countries we are faced with the fact that if we include the Irish Republic with foreign countries as, of course, in spite of the special trading arrangements, we should do, the Commonwealth is only a quarter that of foreign countries. This is very largely due to the rise in imports over the period from the U.S.A. for which greatly increased supplies of oil are responsible.

Turning to exports we find the story is virtually the same. We have increased our exports to the Sterling Area by only £15 m. as against £71 m. to the non-Sterling Area. Again, we sent in the first six months of this year to Commonwealth countries only £19 m. more in goods as against £90 m. sent to foreign countries and the Irish Republic.

The increase of exports in this case is not due in the main to increased sales to America. These have certainly increased but by £12 m. only as compared with the £72 m. which we spent on American goods.

Unless the Government takes steps to reverse this trend it cannot be long before the situation will become irredeemable. Unless we buy greatly increased quantities of our requirements in foodstuffs and raw materials from Commonwealth countries rather than from foreign they in their turn will be compelled to seek other markets, with the corollary that they must spend the proceeds in the countries to whom they sell.

The careful building up of sources of supply throughout the Commonwealth by means of the preferential treatment of their goods in Great Britain's market is gradually being whittled away by, first of all, the desire to obtain dollars at any cost and now by the proposal to enter a Free Trade Area in Europe without proper safeguards, which is rapidly becoming a political rather than an economic question.

From E.I.A. Bulletin Supplement, September 1957

Planning Commentary

WE doubt if councillors of our great municipal corporations realise what enormous public revenue losses are involved in the building of multi-storey flats. Certainly the general public does not. The figures are never, so far as we know, presented in such a way as to make the subsidy costs clear.

From information supplied to visiting delegations from other cities we have deduced the following figures of the costs and rents of a scheme of 216 flats on seven acres of the Holte Estate at Birmingham. As they are self-consistent, we think these figures are reliable; but we shall welcome an official correction if they are wrong.

The density is about thirty-one flats an acre; some are of four storeys, and some of twelve storeys. There are eighty-four flats with one bedroom, fifty-two with two, and eighty with three bedrooms. Thus there are 428 bedrooms, and presumably 644 habitable rooms, or ninety-two habitable rooms an acre.

The one-bedroom flats cost about £3,150 each, the two-bedroom flats £4,086, and the three-bedroom flats £4,318. The average for 2.98 habitable rooms is £3,810, and the total cost about £823,000. We think these figures include site costs.

Rents and Subsidies

The economic net rent (that is, the net cost rent) of a three-bedroom flat in a twelve-storey block is about £272 15s. a year. If the site cost (our guess) is £8,000 an acre the Exchequer subsidy (slum-clearance scale) is about £66 a year. If the municipality pays an additional sub-

sidy of one-third, that comes to £22 a year. But actually the municipality pays (out of rates or pooled rents on older dwellings) an additional £104 a year, or £126 a year in all. The tenant pays a net rent of about £80 15s. a year (30s. 6d. a week). The combined public loss in subsidies is thus £192 a year. (The tenant pays a further £81 a year for rates and heating.)

Economy of Dispersal

Now if instead of 644 rooms in 216 three-room flats in the city, the same number of rooms were provided in four-room (three-bedroom) houses, 105 on the central seven acres, and fifty-six on four acres in a small town, on sites at £3,000 to £4,000 an acre, the total cost (at £1,700 a house) would be £347,700—a capital saving of £476,000. Assuming the same rents per room, the saving in capitalised subsidies would also be £476,000 (say £27,250 a year).

Even if the average number of rooms were increased (as in a decent minimum modern scheme it should be) to four rooms a dwelling, and 216 houses built, with a total of 864 rooms instead of 644, the cost, including eight acres of land in a small town, would still show a saving of £366,000.

The accommodation provided, the satisfaction given to tenants, would be incomparably greater.

It is true that eight acres more of land would be occupied, but the food production from 216 gardens, worth at 2s. a week £561 a year, would greatly exceed the value of produce from eight acres of farm land, even

the best of arable or grass land. (The average gross produce of British farms is about £40 an acre, and the outgoings—labour, rent, fertilisers, etc.—about £30 an acre. Exchequer subsidies in 1955 were about £10 an acre. Home gardeners do not get or need any subsidies at all.)

Financial Saving

It is true also that there would be ancillary costs in building new schools, closing central factories, etc. But it is difficult to believe that for 216 families these costs could amount to anything like £476,000 or even £366,000. A rough guess is that in

such a group there might be 150-200 industrial workers employed in 30,000 to 40,000 square feet of antiquated factory space, which might cost anything between £20,000 and £60,000 to acquire. Schools in proportion to the retained population have to be rebuilt in many redevelopment areas, and other services require costly renewal. Even if the total cost of redevelopment on decent standards were not less than on socially unsatisfactory standards, the gain in overall efficiency, health, and amenity would be tremendous. But we are convinced that there would be a positive financial saving.

Swedish Industrial Production

INDUSTRIAL production in Sweden during the first six months of 1957 is estimated to have risen by 5 per cent in comparison with the corresponding period in 1956, according to the Swedish Economic Research Institute. As previously, capital goods account for the major part of this rise. The engineering and metal-working industries report increased domestic demand, while the export figures seem largely constant, with the exception of those for the electro-mechanic industry which show a slight decline.

Exports

The total amount of export orders in hand and the sales prices for

export in the engineering industries in the second quarter were on a level with those of the first three months. The exception was the iron and metal-working industry, which experienced a slight reduction in foreign demand, this trend is expected to remain during the third quarter, probably resulting in falling prices. The electro-mechanic industry reports increased stocks, whereas stocks in other branches of the engineering and metal-working industries are maintained at about the previous level or have been reduced somewhat. Liquidity as a whole improved during the first six months of 1957, although the improvement is almost entirely accounted for by the mechanical engineering industry.

Commonwealth Survey

(1) OUR CONCLUSIONS

By EXPANDING COMMONWEALTH GROUP

PLAINLY, the Commonwealth has reached a turning-point. Shall it expand or decay?

If the latter fate be accepted, Britain will return to the status of a small European island of pre-Armada status. Her only hope in that case would be to integrate herself with a European Free Trade Area and to share the benefits of Western European trade, whatever sacrifices it would entail for some of her industries and their workers.

We believe that Britain has a better future. But if the Commonwealth is to be able to expand, it must first consolidate its present position. We have been greatly encouraged by the attitude of the present Prime Minister of Canada. We must seize the opportunity offered by Mr Diefenbaker and take these six steps:

1. An early declaration by the British Government that they are ready and anxious to conclude a Trade Agreement with Canada, and will take all necessary measures for the receipt and grant of mutual benefits, despite present international commitments.
2. The appointment of a Commonwealth Commission to examine the present machinery for financing development within the Commonwealth.
3. The revision at this Conference of the specific preferences in the Ottawa Agreements, and a consequent application to G.A.T.T. for a waiver of the 'no-new-preference' rule.
4. Amendment of the proposals for and Industrial Free Trade Area to ensure the exclusion of agricultural products, such as timber, and to create a two-tier system of preferences for manufactured goods.
5. The appointment of a Commonwealth Commission to examine the present machinery for financing development within the Commonwealth.

From 'Expand or Decay' Pamphlet No. 2, published by the Expanding Commonwealth Group (price 1s.).

(2) CANADA'S IRON ORE RESERVES

SUFFICIENT exploration has taken place in Canada to indicate very clearly that Canadian resources of iron ore are tremendous, according to the Department of Mines and Technical Surveys.

Not only does Canada possess large reserves of direct-shipping iron

ore, but also vast resources of low-grade iron-bearing material of concentrating grade. Iron formation, for instance, extends in an almost continuous belt from 150 miles north of the Gulf of St Lawrence to the northerly tip of the west coast of Ungava Bay. The quantity of low-

From The Mining Journal, September 6, 1957

grade iron-bearing material of concentrating grade contained in this belt can be measured in terms of billions of tons (giving the word billion its American value, 1,000,000,000). It is meaningless to place an arithmetic figure on the actual amount of iron material present because the figure would amount to little more than a guess based principally on visual estimates supported by a relatively small amount of diamond drilling. And these are not the only deposits of low-grade iron in Canada. There are a number of large deposits of low-grade iron in Ontario, each one of which can be measured in many millions of tons.

Unknown Deposits

Even the deposits of direct-shipping iron ore, currently being mined in the vicinity of Schefferville, Quebec, and Steep Rock, Ontario, contain at least a billion long tons of iron ore. At the moment, all that is drilled off and calculated mathematically

amounts to about three-quarters of a billion long tons, but no one who knows these deposits believes that this is the total amount of ore present.

At Wabana, Newfoundland, it is virtually impossible to calculate accurately the amount of ore contained in these large submarine deposits. Estimates have ranged all the way from four billion tons to ten billion tons. At the current rate of production, these deposits, which have already been mined for nearly sixty years, will last for another 840 to 2,400 years, depending on which estimate one chooses to select and assuming an anticipated extraction rate of 60 per cent.

What shortages of iron ore that there are in this continent are regional shortages only, such as exist in the Pacific coast of Canada. There is no absolute shortage of iron ore either in Canada or on this continent as a whole. There is, in fact, an absolute abundance sufficient to supply both our domestic and export market for generations to come.

(3) SNOWY MOUNTAINS SCHEME

A COMPLEX Agreement, providing for the distribution of power and water from the £A400,000,000 Snowy Mountains Hydro Electric and Irrigation Project in south-eastern Australia, has been initiated in Canberra.

The Federal authorities will have first call on power supplies for use in the Federal Capital Territory and Federal establishments in the Snowy Mountains area. The remaining power will be shared between New South Wales and Victoria in the proportions of two to one respectively.

Water diverted to the Murray River will be shared equally by the two States, while all that diverted to the Murrumbidgee River will be available to N.S.W. About 400,000 acre feet of water will be diverted annually to the Murray, while another 400,000 acre feet will be available through storage.

A Snowy Mountains Council, on which representatives of the Federal and State Governments will have executive powers, will administer the scheme.

(4) SOUTH AFRICAN FERTILISER PROJECT

THE Modderfontein plant of African Explosives and Chemical Industries, already the largest producer of dynamite in the world, has begun a £10 million expansion programme. The purpose is to step up the output of nitrogenous materials—used in fertilisers—and to produce sufficient to meet the needs of farmers in the whole of Southern Africa.

The first phase in the new programme will be to increase the output of ammonia by 70,000 tons a year; and the second, to convert the ammonia into some 110,000 tons of urea each year. (Urea is a high nitrogen-content fertiliser developed

From Modern South Africa, September 1957

(5) DECIMAL COINAGE IN NEW ZEALAND?

THE year 1965 may see the introduction of decimal coinage in New Zealand, said Mr R. F. Wilson, a member of the Decimal Coinage Committee of Inquiry. Secretary of the New Zealand Retailers' Federation, he told the Southland Retailers' Association that the main problem was whether the new dollar, or 'Kiwi', would consist of 100 present

pennies or whether it should be the existing 10s. with the equivalent of one and one-fifth pence for the small unit.

Mr Wilson said the committee was meeting weekly and was considering many aspects of decimal coinage, such as units of currency to be selected and the cost of converting adding machines and cash registers.

Consumption and Production

If we are simple-minded enough to believe that we can increase our prosperity by increasing the money supply, then why not double our money supply and double our wealth? Better yet, increase the supply of

money a hundredfold and make ourselves fabulously wealthy.

We can consume only what we produce, and there is no money magic that will enable us to consume more than we produce.

From Business Review, Federal Reserve Bank of Philadelphia, August 1957

The Four-Day Week

By ERNEST M. DE CICCO

Despite management's claims to the contrary, statistics indicate that shorter working hours will not result in reduced living standards.

THE shorter work week is again emerging as the next big bargaining issue between labour and management. In a recent speech before some 1,500 labour and industrial-relations executives at an American Management Association conference in Chicago, Joseph Bertotti of General Electric declared that adoption of a four-day week would mean a 20 per cent. drop in our standard of living.

The G.E. official cited these facts in support of his argument:

1 Women now hold one-third of all jobs in the U.S., and 50 per cent. more women are working now than in 1940.

2 By 1966, there will be a decrease of 7.5 per cent. in the number of men in the prime working group—between 25 and 39 years of age.

3 Where the six-hour day went into effect in the past, e.g., for the 30,000 A.F.L.-C.I.O. United Rubber Workers, many employees sought second jobs and efficiency went down.

Sylvia Porter, nationally syndicated columnist, writes that, as the shorter work week spreads, individual industrialists 'will condemn it as a dangerous step toward socialism and national paralysis or an invitation to maladjustments in the economy that could lead to disaster'. She points out, however, that the work week has decreased from an average of 69.8 hours in 1850 to 60.2 hours in 1900, 49.7 hours in 1920, 44 hours in 1940, and 40.2 hours in 1955. She also notes that 'the reduction in work hours has been steady, averaging around three hours a decade'.

How Much Leisure?

Since there seems little doubt that a re-evaluation of the 40-hour week is approaching, how much are hours likely to be reduced? In what proportions and how will the new-found extra leisure be distributed over the employee's working day, week, month, year? What are some of the social problems that are likely to occur?

One basic assumption in predicting a shorter work week is related to productivity gains per man hour of work. A decrease in working time represents, in effect, the substitution of increased leisure for increased income. Until recently, increased man-hour productivity in the United States has been about equally divided between increased income and increased leisure. In other words, the country has taken about half of its productivity gains in cash incomes

U.S.A., July 29, 1957

Dangerous Step

Grave warnings have also been issued from other sources. J. Howell Turner, employee-relations director of the Standard Oil Company, speaking before the National Association of Manufacturers industrial-relations institute, advised management to prepare to meet labour's offensive on the work-week issue. An N.A.M. instructional aid for use in colleges was entitled 'Why Shouldn't We Have the Four-Day Week?' Anyone can guess its conclusions.

From The New Leader

(hence, more goods and services) and the other half in increased leisure.

Ratio Shifting

While this simple division seems to have occurred in the last century, it is not likely to proceed into the future. In more recent years, the ratio has been shifting in the direction of more income. From 1920 to 1950, the percentages were 60 for income and only 40 for leisure. As the work week becomes shorter and shorter, the desire for added income as man-hour productivity advances will likely be more insistent than the desire for added leisure.

Perhaps the share for leisure appears excessive for the United States since it moved quickly and early into the 40-hour week. England, Sweden and Australia for the same period (1920-1950) took about 20 per cent in leisure and 80 per cent in increased goods and services. France, on the other hand, took 80 per cent in leisure. In Sweden, the share of leisure was 60 per cent. in 1918-1924 and only 5 per cent. in 1924-1947. There is obviously much variation.

50-50

Hours of work are rooted in the customs of a nation, and changes apparently occur in spectacular spurts. In addition, the changes most often take place during periods of stress rather than of peace and prosperity. Wages are increased steadily over a period of time and the income share is subject to fairly constant increments. The leisure share, on the other hand, changes erratically—often during depressions. If there are no major economic crises, therefore, it is doubtful that a reduction in hours will equal the historic 50-50 ratio, or the 3-hours-a-week reduc-

tion per decade during the last 50 years.

In order to forecast hours of work, some prediction must be made about annual productivity increases and the size of the labour force. If productivity gains rise less than in the past and the leisure share is smaller than the assumptions noted previously, then hours of work will not go down drastically. And productivity gains may slow down somewhat, because as a nation we are consuming more and more services. Beauty parlours, barbershops, entertainment, the vacation industry, the professions and many others are examples of services or so-called 'non-goods'. Productivity gains in these areas are very small when compared to manufacturing. Nevertheless, despite this trend, significant decreases in working hours have characterized the economy since 1940 in the form of fringe benefits—such as longer vacations with pay and more holidays.

Productivity Changes

Historical data suggests the following as reasonable expectations of productivity changes in the years ahead: 3 per cent. annually in manufacturing, 2.5 per cent. in non-agriculture, and 5 per cent. in agriculture—all compounded annually. Overall, the rates work out to about 3 per cent. for the economy.

By 1956, with a reduction from 40 to 34.7 hours a week, and even though the population increases by 17 per cent., man-hour productivity will have risen 40 per cent. and the nation will enjoy a 20 per cent. higher real material standard of living. By 1970, the work week can be reduced by nine hours and the living standard will be one-fourth higher than in 1954. This means a work-year slightly in excess of 1,600 hours compared to

more than 1,900 in 1954. If the historical 3-per-cent. annual gain holds true for future productivity, there seems no question that the United States can enjoy a smaller work-week or work-year with no decline in material comforts.

More Than Three per Cent?

Critics declare that the estimate of a 3-per-cent. annual productivity gain may be too high. Actually, it may be too low, because past rates of increase in productivity were derived from periods of boom and bust. A stable labour market, increased research expenditures and technical innovation by business, and a greater willingness on the part of the Federal Government to correct cyclical behaviour may raise the 3 per cent. considerably.

On the basis of data compiled by the Joint Committee on the Economic Report, we find that the annual rate of real increase in man-hour productivity was 1.3 per cent. from 1911 to 1920, 1.9 per cent. from 1921 to 1930, 2.9 per cent. from 1931 to 1940, and 3.7 per cent. from 1947 to 1953. The same type of progressive gain seems to have taken place in both the agricultural and non-farm sectors of the economy. Perhaps a projection should be made not on a constant 3-per-cent. basis for the long-term future but on a progressively higher and higher ladder of productivity advances.

Social Revolution

Certainly, no sacrifice in the rate of improvement of the standard of living need be accepted by labour, for the twin values of greater leisure and more output can be concurrently achieved. Increased leisure may be taken in various forms—not only fewer hours, but as postponed entry

to the labour force and longer educational and vocational training. The complex automated machines of the future may require more training on the part of operators, while repair-men will surely need a superior background.

There seems little doubt that a shorter work week will produce a social revolution of sorts. With an opportunity to select the work schedule that one wants, more aged people, students, wives and second-job holders will be drawn into the labour force. It will not be unusual to see father at home taking care of the babies while mother works her short shift. More husbands will continue their schooling if the work week is short. A woman will be able more satisfactorily to combine the roles of career woman and housewife.

Man-Hours

In the past, too, the volume of employment fluctuated while the work week was rather fixed. In the future, it appears that the volume of employment will be relatively constant and the size of the labour force will instead become the variable. The state of the economy now is measured by the number of persons employed: in the future, it will tend to be more accurately measured by the number of man-hours worked. The result for national policy may be to direct governmental economic correctives towards hours of work rather than total employment. From the workers' point of view, a shorter work week will mean that hours of work will be expandable with little grumbling and less absenteeism.

Work—Income—Leisure

Governmental enforcement of standards, however, will become more difficult. In the Thirties and

ated with inactivity, waste and sinful behaviour. Yet, leisure is always filled with some activity; it is unpaid activity which may be economically quite productive if it results in the improvement of human resources which are capable of greater productivity. Was the G.I. Bill for education, for example, work or leisure?

Huge Surpluses

As for the national economy, the United States is already so productive in agriculture that huge surpluses exist; and this is also becoming true in certain hard- and soft-goods lines, as evidenced in the growth of discount houses. This will continue if prices are cut and low incomes are raised. Advertisers and salesmen insist that the art of selling can indefinitely create wants for more material goods, but the tremendous advance in the distribution trades may actually turn out to be a method of 'making work' of the type usually blamed on unions.

Increased leisure can be expected, therefore, to channel consumption into certain tracks. Professional services will receive a major benefit. Health, recreation and education all require time to consume, and the shorter work week will result in an unlimited expansion of these areas.

Free Services

It cannot be doubted that many of these services will have to be distributed free. A good example is education at all grade levels. To the consternation of many citizens, the role of government will continue to grow to provide the roads for leisure-time travel, national parks and conservation for the sportsmen and vacation-minded, funds for urban redevelopment to cut commuting time, hospi-

tals, educational radio and television facilities, and numerous other benefits.

Corporation or Government

The line of demarcation between work and leisure is rapidly narrowing, because all these things are rapidly filtering downward from white- to blue-collar workers as unions press for these gains from employers in preference to turning to an unfriendly national administration. Eventually, the question will arise as to whether the corporation should

distribute these advantages to the workers or the Government should take over this role. As long as the firm can justify the expenditure as legitimate business expense for tax purposes, the gain in good will from employees and the public will be sufficient to maintain the corporate paternalistic role. If political considerations become more pressing and dominant, then the Government will begin to occupy the role of distributor. The latter is more likely to emerge as the winner in the long run.

Employment in Great Britain, August 1957

DURING August the numbers in civil employment increased by 71,000 to 23,111,000. The largest increase was in engineering, metal goods and precision instruments; employment in vehicles also rose. There were seasonal increases in agriculture and distribution.

Unemployment

There were 267,000 persons registered as unemployed in Great Britain on 16th September, of whom 260,000 were wholly unemployed and 7,000 temporarily stopped from work. Between 12th August and 16th September unemployment increased by 2,000, which was entirely accounted for by the increase in the wholly unemployed. There was no change in the number of temporarily stopped.

Expressed as a proportion of the estimated number of employees, unemployment in September was 1.2 per cent., which was the same as in August; in September, 1956, it was 1.1 per cent. There were 108,000 persons who had been unemployed for more than eight weeks—42 per cent. of the wholly unemployed.

The number registered as unemployed in Northern Ireland on 16th September was 31,024 (6.6 per cent.), which was 63 less than on 12th August.

Numbers Placed by Employment Exchanges and Unfilled Vacancies

The Employment Exchanges filled 219,000 vacancies in the five weeks ended 11th September. The number of vacancies notified to Exchanges but remaining unfilled on 11th September was 284,000. This was 26,000 less than in August.

Overtime and Short-Time Working

In the week ended 31st August there were 1,535,000 operatives on overtime in manufacturing establishments covered by returns. This was 25,000 more than in May and 16,000 more than a year ago. The number working short-time in the same week in manufacturing establishments covered by returns was 39,000 which

earlier, reduction of the work week was accompanied by a great humanitarian drive to protect health and create conditions for the promotion of education and citizenship. This religious fervour subsided as the standard eight-hour day and 40-hour week approached. A myriad arrangement of work schedules will probably be the rule for the future, and much discussion will arise over the proper balance between work, income and leisure. Women may prefer a short day and a five-day week while children are in school. Men may prefer four days and longer hours to acquire the long weekend for do-it-yourself projects or short trips. Older men may desire a three-month vacation a year or a sabbatical in order to prepare for retirement.

Suburban workers who travel long hours each day to commute to urban centres of employment may want a four-day work week in order to decrease their transportation. An alternative would be staggered working hours, variations in starting and quitting hours during the day, which might lessen the traffic jams that have choked the largest of our cities. Diversification of the work force through the addition of women, students and the aged may increase friction because work schedules which satisfy both the fully committed and partially committed workers may become impossible.

Odious Ring!

Historically, the work week has never been shortened so rapidly that the real standard of living has declined: the decline in working hours has never exceeded the rate of increase in productivity. The desire for more leisure carries an odious ring in the United States because, in the Yankee philosophy, leisure is associ-

Rural Economy

(1) BARRIERS TO BALANCE

By JORIAN JENKS

RECENT years have seen some striking achievements in agricultural technology. Certain portents, it is true, such as the return of the Dust Bowl and the increasing resistance of several major pests to D.D.T. and other insecticides, suggest that Nature will always be liable to upset human plans until men learn better how to conform to hers. Nevertheless, in all the technically advanced countries of the West there has been a marked increase in agricultural production, which is likely to continue for some time to come.

This increase is proving an economic embarrassment in that there has been no equivalent expansion of monetarily-effective demand, despite the persistence of large areas of chronic hunger. In this field, as in many others, economic progress has signally failed to keep pace with technological progress.

There has, indeed, been a retrograde movement in the direction of Free Trade, largely at the insistence of the U.S. As John Biggs-Davison shows in his recent book (reviewed on page 340), the effects of 'non-discrimination' is not to distribute economic opportunity and material wealth more widely, but to frustrate mutually-advantageous, preferential arrangements between naturally associated nations. It frustrates also the intelligent use of import quotas to encourage home production without injuring the interests of oversea suppliers who are also good customers.

G.A.T.T. and the open-market agricultural policy are serious impediments

to any effective attempt by Britain to resolve the menacing financial situation in which she now finds herself. That situation cannot be cured by a credit-squeeze. It has its roots in a persistent state of imbalance in our external transactions. Sterling is inherently weak because we are importing more than we can pay for by visible and invisible exports combined; and the largest imports are of food and other agricultural produce. Non-agricultural raw materials loom large, too, but cannot well be reduced without crippling our export industries.

The commonsense solution, surely, would be to reduce progressively our imports of food, replacing them with home production and purchasing the remainder of our requirements from those countries, chiefly fellow-members of the Commonwealth, who are most ready to buy our own goods. In this way we could restore the balance of our economy without hardship to consumers, and our balance of payments without injury to mutually-beneficial trade.

Such a policy clearly implies discrimination. It would involve selective import quotas, with possibly some preferential duties in certain cases. This might be unpopular with exporting countries, but not necessarily unacceptable, since the principle of protection of home agriculture is almost universally recognised. Their real objection is to subsidised imports (*i.e.* dumping). Regular suppliers would stand to gain by increased stability of prices.

What would become of supplies which had to be diverted from the British market? The answer is that they should go to countries who need food more than we do, but who lack the means of paying for it. Responsibility for the distribution of so-called 'surpluses' rests on the shoulders of the exporting nations who create and hold them, notably the United States. It should not be beyond her capacity, as the wealthiest nation in the world, to find ways of discharging that responsibility. The U.N. Food and

Agriculture Organisation has already shown how development loans might usefully consist, in part, of food shipments. Such supplies might be at least as effective as shipments of arms in checking Communist infiltration of countries where hunger is a major political issue.

Non-discrimination only perpetuates the economic inequalities of this world. It is time that intelligent discrimination was restored to respectability and given a chance to remove the grosser imbalances.

(2) FEWER FARMERS—MORE FOOD

THE number of farmers in the world is shrinking proportionately, but farmers are growing more food and fibre than ever before.

That's the report from the latest volume of 'Yearbook of Food and Agriculture Statistics', published by F.A.O. The volume notes that in 1937 farmers constituted 63 per cent. of the world population. By 1950 that percentage had dropped to 59 per cent. As of 1950, there were 1,477 million farmers on the globe out of a total world population of 2,504 million persons.

The statistics also show that where farm production per capita in the post-war years up to 1953 averaged only 96 per cent of pre-war per capita production. This past year, however, farm output has increased to 104 per cent. of pre-war.

The increasing agricultural production came in part from cultivation of new land. F.A.O. estimates that there are 1,370 million hectares (one hectare equals about 2½ acres) under

crops—18 million more than the previous year. And F.A.O. figures permanent meadows and pastures are estimated to cover 2,466 million hectares—8 million more than last year. Farmers also are growing more to the acre than they used to, F.A.O. says.

The trend from muscles to machines for doing the heavy work on the world's farms is continuing at a high rate. F.A.O. says the total number of tractors used in farming, excluding Russia, rose from 5,723,000 in 1949-52 to 7,718,000 in 1955. In many European countries the number was doubled.

As growing numbers of machines moved on to the farms, most of the beasts of burden were moving off. Before the Second World War, the world horse population was 74.7 million. Today it is less than 60 million. The mule population has dropped from 18.4 million to 13 million.

From I.F.A.P. *World Farm News*, September 1957

European Free Trade Area

COMMONWEALTH OPINION

WHILE opinion in the Commonwealth overseas is inclined to regard U.K. participation in the Free Trade Area as inevitable there is some anxiety about its possible consequences. There is some apprehension in Canada that the Common Market may lead to increased protectionism, particularly in respect of Canadian agricultural products. Canada has a record surplus of wheat on hand and export sales have been disappointing. Australia and New Zealand are concerned lest the proposed agricultural arrangements of the Common Market should give greater protection and stimulate European food production through the assurances of a secure internal market of greater dimensions.

Such a stimulation of production might also intensify competition and cause lower prices even in the U.K. The recent tendency to over-supply of meat and butter in the U.K. has accentuated the need for Australia and New Zealand to secure new export outlets and the West European countries would normally offer the best prospects for such disposals. If the Common Market should reduce sales to West Germany and Italy, hope for larger export sales would lie in the Far East and in the U.S.S.R. which, however, is an irregular and uncertain market.

A Strong Britain

Mr J. D. Ormond, Chairman of the New Zealand Meat Producers' Board, made some pertinent observations on the subject at the annual

From Commonwealth Producer, September-October 1957

satisfied that her trade interests will not suffer but Indian press comment has so far been largely unfavourable on the ground that unfair competition with Indian foreign trade and a redirection of European industrial production would result.

Overseas Territories

Inclusion of the overseas territories is regarded in India as politically as well as economically objectionable.

Both India and Pakistan are awaiting the outcome of the GATT meeting. Ceylon is guardedly optimistic about the effect of the Common Market treaty on her economy and sees a possibility that increased purchasing power in Europe will create a greater demand for her tea, rubber and coconut products, though some apprehension is felt about the fate of the last-named item, of which Continental Europe is a substantial buyer.

U.S. Acquires Foreign Currencies

ACCEPTANCE of local currencies instead of dollars under P.L. 480 has resulted in United States building up large bank accounts around the world. This money is being spent in a variety of ways.

Most of the foreign currencies is being used for loans and for economic development. A total of \$1.1 billion has been planned for spending in this manner. Half a billion dollars has been planned for expenditure on payment of United States obligations abroad: i.e. embassy costs, etc. About a quarter of a billion dollars is being spent to buy military equipment and materials overseas. Another big chunk of the foreign currency is being used to develop markets for American farm products. Thirty-five million dollars is planned for spending on this. Another \$42 million has

been spent in purchasing goods for other countries.

Market development, which is of considerable interest, involves projects in 26 countries. Representative countries with types of commodities included in market development projects in the countries are:

Austria—fruits, cotton, poultry, tobacco, inedible fats, and soybeans; Colombia—wheat, dairy products, poultry, cotton, dried beans, feed grains, and seed;

West Germany—poultry, cotton, inedible fats and fruits including raisins, and prunes;

Italy—cotton, tobacco, wheat, soybeans, inedible fats, poultry;

Japan—cotton, tobacco, wheat, soybeans, inedible fats;

Peru—dried beans, dairy cattle, hogs, sheep, poultry and beef cattle.

From I.F.A.P. World Farm News, September 1957

Canadian or American Dollars?

Few people in this country who take any interest in Commonwealth and Empire affairs could have failed to feel a thrill of pleasure when the new Canadian Prime Minister, Mr Diefenbaker, announced his own deep interest in the Commonwealth and his plans for the part which Canada is to play in it. He not only advocated the holding of Commonwealth conferences in the various capitals, but called for a full-scale Conference in Ottawa in the near future. In his conception of the value of the Commonwealth both to its own component parts and to the world at large, he follows in the footsteps of that other great Canadian Prime Minister, R. B. Bennett (later Lord Bennett) and showed that he was bringing a similar practical mind to the subject.

Trade Switch

His suggestions, however, did not end there, for he declared his intention of finding a means whereby trade to the value of some £235 million could be switched from the United States of America to Great Britain. There are, of course, practical difficulties in the way, but it should be received with enthusiasm by our own Government, and it should not be beyond the capacity of the two Governments acting in consort to bring about a change which would be most profitable to both countries.

From E.I.A. Monthly Bulletin, September 1957

Wheat

In the meantime what can be done to further Mr Diefenbaker's trade project? There is one field in which immediate action could be taken by the United Kingdom Government. In 1956 we spent £26 million on buying wheat from the U.S.A. This entailed the expenditure of dollars. If we have to spend dollars why not spend them in Canada which has an immense surplus of wheat? For a long time Canada has been more than a little restless over the somewhat dubious methods which the U.S.A. has employed to get rid of its own surplus. It would be an encouragement to Canada were the United Kingdom to start the trade switch at this point. The purchase of American wheat in the first six months of 1957 has been running at the rate of £32 million per annum or £6 million more than in last year. Between 1954 and 1956 we increased our yearly expenditure on American wheat by £18 million—from £8 to £26 million; our six months' purchases from the U.S.A. in 1957, at £16 million, were double those of two years ago. There is no excuse for spending these dollars in the U.S.A. when Canada has a large surplus of wheat of which she is anxious to dispose. Let us make this change for a start and give Mr Diefenbaker every backing in his new task.

Post-War Economy

ENEMIES of Great Britain and critics of her post-war economic policy are often heard to assert that ever since the war she has been living upon loans, grants, gifts and so on from other countries, particularly the U.S.A. The average person when con-

fronted with figures embodying the Washington Loan and Marshall Aid is seldom in a position to discount these statements and show them to be, to say the least of it, exaggerated. Consideration of the following figures is, therefore, worth while:

RECEIPTS	
From U.S.A.:	
Washington Loan, 1945	£3,750,000,000
Lend-Lease, etc	622,000,000
Marshall Aid 1948/51	2,784,000,000
Mutual Defence Programmes 1951/55	1,021,000,000
	<hr/>
	\$8,177,000,000
Canada:	
1945 (not all drawn)	1,250,000,000
	<hr/>
	\$9,427,000,000
	£3,000,000,000
	<hr/>
PAYMENTS	
1946/56	
Loans to Colonial Governments	£29,000,000
Grants	234,000,000
Official Investments	82,000,000
Dollars paid by U.K. to overseas countries in grants, assistance, loans, etc.	£1,300,000,000
Payments by U.K. to overseas countries, principal and interest on Government Loans—nearly	£900,000,000
	<hr/>
	£2,545,000,000

Principle Forgotten

From the above it will be seen that broadly speaking the net receipt during the ten years following the war amounted to something under £500 million, or less than £50 million a year against general expenditure of the nature of £4,000 million per annum. There is, moreover, another side of the picture. It is not well known that in relation to her income Great Britain paid far more than her fair share of the total allied war expenses. In 1951 President Roose-

velt laid down the principle that the war should be financed by the nations involved in proportion to their national incomes. This was reiterated by President Truman and accepted by the British Government. When however, the war came to an end the principle was forgotten and never put into effect.

Calculations made based on the Roosevelt-Truman formula showed that the percentage of the total national incomes which the main allied combatants had devoted to the

common defence from 1939-1945 was 35.8 per cent. On this common basis Great Britain had exceeded her financial dues by some £5,800 million, whilst the Americans had paid some £7,600 million less than their proportionate share over the same period.

The following table, taken from *The Statist* of 22nd December, 1951, shows the percentage of national income devoted to the war by the U.K. and the U.S.A.

	U.K.	U.S.A.
1939	15	2
1940	39	3

From E.L.A. Bulletin Supplement, October, 1957

	U.K.	U.S.A.
1941	49	11
1942	53	35
1943	54	46
1944	54	46

Considering all the facts given above, which are, of course, very much condensed, it may be asserted that even if Great Britain has received since the end of the war a little more than she has paid, the excess which she shouldered during the war more than offset such small advantage as has accrued to her since the war ended.

Soviet-Made Earth Satellite

PRAYDA EDITORIAL ARTICLE

ON October 4, this year, the world witnessed a remarkable event—the successful launching in the Soviet Union of the first man-made satellite of the Earth.

The whole world heard the announcement on the launching of the artificial moon. Its passage overhead was recorded by many observers on all continents. The launching of the little moon was a result of long and persevering research and designing work by large groups of Soviet scientists, engineers and industrial workers.

Theoretically the question of sending a space craft beyond the limits of the atmosphere was solved at the beginning of the 20th century by the outstanding Russian scientist K. E. Tsiolkovsky, who proved that rockets must be used for space flights. Tsiolkovsky solved several major problems of interplanetary communications and pointed out that the launching of an artificial satellite

From Soviet News, 9th October, 1957

would be the first indispensable step towards this goal.

Carrier Rocket

The making of an artificial moon called for the solution of a number of most difficult and entirely new scientific and engineering problems. The biggest difficulties were encountered in designing a carrier rocket for lifting the satellite to the orbit. A perfectly designed carrier rocket was built for the launching of the satellite. The designers have produced powerful engines working in difficult thermic conditions. The best systems for the movement of the rocket were worked out to ensure that the most effective use was made of it. An exceptionally precise and effective system of automatic controls was developed for the rocket to ensure the trajectory necessary to take the satellite to its orbit.

The solution of these, and many other most intricate problems, was

made possible by the use of the latest scientific and engineering achievements in various spheres, and, above all, by the high technical level of rocket construction in the Soviet Union. The construction of an artificial earth satellite in such a short space of time was ensured by the high level of scientific and technical thought in our country, and the efficient and well-organised efforts of research institutes, designing bureaux and industrial enterprises.

First Step

The launching of the satellite was also preceded by extensive experimental work on the designing and

improvement of both the individual units and the system as a whole. The successful launching of the satellite has confirmed the correctness of the calculations and of the basic technical solutions arrived at in designing the carrier rocket and the satellite. The moon is a first step in an extensive programme of scientific research which will be continued throughout the International Geophysical Year with the help of several other artificial satellites, which are to be heavier and bigger. The creation of the satellite is the first step towards the conquest of interplanetary space and towards space flights.

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Digest Reviews

NON-DISCRIMINATION AS AN ECONOMIC WEAPON

The Uncertain Ally, 1917-1957. By John Biggs-Davison, M.P. Christopher Johnson (London) 15s.

It is a common experience that service overseas for one's country both deepens one's sense of patriotism and broadens one's sense of perspective. Many Britons, of whom John Biggs-Davison is evidently one, have had this experience and returned home the wiser for it, though their counsel is not always heeded. Relatively few Americans have had such an opportunity, and still fewer Russians; which may partly account for the ineptitude sometimes displayed by these two giants on the international stage.

The many points of similarity between them which Biggs-Davison brings to our notice may surprise some readers. But he shows clearly how both, while ardently denouncing imperialism and colonialism in others, have as ardently pursued expansionist policies themselves. Whereas, however, in the case of the U.S.S.R. one need only list the countries that have been brought under control of the Kremlin in the last 30 years in order to realise how successful this policy has been, in the case of the U.S.A. maps provide few clues; one must study the economic frustrations of her allies in two world wars and two periods of uneasy peace.

Throughout this period America has used her excellent natural resources, her unrivalled technical skills, her formidable tariff system and her remoteness from theatres of

war to expand enormously her own economy. She has employed this accumulating power to extend her economic influence far and wide, until today she is by far the most powerful nation of the West. Always this economic imperialism (for such it is) has been adroitly blended with the spirit of generosity and moral idealism which undoubtedly motivates the American people and which finds expression through 'One Worldism'. Always it has undermined the national independence and aspirations of her associates.

Biggs-Davison devotes his last chapter to the Middle-East, maintaining stoutly that what Britain and France attempted to do in defence of the Suez Canal, after repeated appeals to U.N.O., was no more reprehensible than what the U.S. actually did in 1954, in defence of the Panama Canal, by backing a counter-revolution in Guatemala, without reference to U.N.O. Whatever Soviet arms were supplied to Guatemala, many more were supplied to Egypt and Syria. Now that the Eisenhower Doctrine has supplanted British and French influence in the Arab world, the imperial giants confront each other astride two of Europe's economic lifelines.

The most notable omission here is any reference to the part played by Western support for Israel in alienating Arab goodwill. Strange as it may seem to English and American minds, there are many races to whom past wrongs mean far more than future economic prosperity. The Irish and the Afrikaners are cases in point, as we have good reason to know.

The most interesting feature of the

book, however, is its masterly analysis of the principle of non-discrimination, as applied through Most Favoured Nation clauses and G.A.T.T. Reverenced on both sides of the Atlantic by reason of its derivation from the Free Trade cult and its ideological association with the political theory of equality, it still has enormous appeal, especially when backed by the greatest creditor nation in the world.

It is one of the curiosities of social history that so many well-meaning people who whole-heartedly approve restraints on sweated labour, extremes of wealth and poverty, and other by-products of domestic *laissez faire* should be opposed to restraints on exploitation through international trade and finance. They are doubtless sincere in their belief that 'free and equal access' to materials and markets automatically ensures a fuller distribution of wealth. All experience, however, goes to show that it does nothing of the kind.

On the contrary, as Biggs-Davison points out, it enables stronger nations to acquire economic domination over the weaker. In this unequal world, those most in need of more materials are, as a rule, the least able to offer anything in exchange—except mortgages. They are therefore obliged to accept loans on such terms as the stronger nations may lay down, the last resort—should lending institutions regard the risks as too high—being subsidies, often coupled with instructions as to how the subsidised should re-order their economies.

In his conclusions, Biggs-Davison indicates non-discrimination as 'a lawless law, anarchic, usurious and unjust'. It effectively impedes any mutually-advantageous arrangements between members of natural groups

of independent nations, such as Western Europe and the British Commonwealth.

'Preference', he writes, 'is necessary to a sound balance of trade and payments, and thus to any advance to full convertibility and multilateral trade. It is not a mere question of tariffs. Preference in capital investments, raw material supplies, transport and trade and migration can give the Commonwealth partnership a sound foundation of profitable business. . . . It can restore confidence and self-respect to Great Britain's relations with the United States. It can transform resentful fealty into true alliance.'

These are ends we should all wish to see consummated.

J.J.

GERMANY'S CHANCELLOR

Adenauer, by Paul Weymar, translated by Peter de Mendelssohn. Andre Deutsch; 30s.

The recent results in the West German elections add to the interest of this full-length biography of Dr Konrad Adenauer, German Federal Chancellor. It covers the full span of the period of eighty years from the day in January 1876, when Adenauer was born in Cologne, up to the present period. Written with Dr Adenauer's full authority, it covers many incidents of vital importance to Western Europe, including an account of the events of 1926, when Adenauer was within an ace of becoming Chancellor of the Weimar Republic. It is an interesting speculation to consider what might have been the result had Adenauer accepted the office, instead of declining the offer!

IN THE LAND OF EDOM

Glubb Pasha, A Soldier with the Arabs. By Lieutenant-General Sir John Bagot Glubb, K.C.B., C.M.G., D.S.O., O.B.E., M.C. Hodder and Stoughton; 25s.

Those who seek a dispassionate account of the Arab-Israel feud, central to the Middle Eastern question, will not find it here. General Glubb is not against Jews, like the Arabs a branch of the great and creative Semitic race—the use of the term 'anti-Semitism' is nonsensical—but he holds that the institution of the Zionist State was a tragic mistake; his Arab Legion was the only effective, disciplined force to fight against it.

Few can deny that the abandonment of the Mandate in blood and chaos dishonoured the British name; not all will share all Glubb Pasha's enthusiasms and conclusions. This is his personal story, from his side of the line. It is the story of one of those Englishmen who helped to build a State that without Britain could not have been and whose reward was black ingratitude. He was one of those Englishmen who from profound knowledge and experience warned and was not heeded. His dismissal by a faithless prince means that the fruitful friendly relationship between Britain and the Hashimite kingdom she created can never be the same. Whose will be the greater loss time will show.

This is a noble book. The production is handsome, there are some fine photographs and a clear map for end papers. What is more, General Glubb writes well; his prose is simple, dignified; his tale is moving.

GRADUATE EMPLOYMENT

Graduates in Industry. The second report on the study of Industry and the University Graduate. P.E.P. Geo. Allen & Unwin; 30s.

What kinds of graduate does industry want? How efficiently does it employ them? In this report P.E.P. continues the study of graduate employment published last year. It supplies a detailed survey of graduates in industry carried out by means of two samples, the first covering 600 young graduates, the second forty-seven private enterprise firms and four nationalised undertakings.

The period covered by this report—1950 to 1955—was very much affected by the adjustments needed in the post-war years, by the shortage of qualified men, and by the emergence of the universities as a major source of recruitment. Generally speaking the conclusion reached is that in the face of these changing circumstances, both employers and graduates showed quite remarkable adaptability, a good augury for the future of industry's co-operation with the universities.

MALTA

The Malta Directory and Trade Index, 1957. Malta Publicity Services Ltd. Valletta; 25s. 6d. (post free).

This is an invaluable handbook for all who have an interest in trade with the Maltese Islands. It gives a background picture of Malta, its industries and trade, and lists nearly three thousand firms with the great variety of goods and services which they supply. The handbook can be obtained through booksellers, or direct from the publisher.

EDWARD WARD REPORTS

The New El Dorado, Venezuela. By Edward Ward. Robert Hale; 18s.

Edward Ward, who is well-known to those who listen to his very excellent radio reports, has written a fascinating personal account of his visit to Venezuela. His primary purpose in visiting the country was to do one of his radio reporting jobs. Carrying out this task gave him ample opportunities of meeting a representative cross-section of the people, and observing the life and conditions under which they live.

It is surprising to learn that many workers in Venezuela live as well as their counterparts in the United States, and far better than workers in most European countries. The book contains a number of illustrations, and can be recommended to all who enjoy reading a lively account of how other people live.

RED v. WHITE

Death in the Desert. The Fifty Years' War for the Great Southwest, by Paul I. Wellman. The Fireside Press. (W. Foulsham & Co.); 18s.

Mr Paul Wellman, author of 'Death on the Prairies' (reviewed in our January issue), has produced a further book dealing mainly with the Apache and the struggle between the white man and the red man in the desert areas of the Southwest. This book covers the years from 1822 to 1886, when the Apache were finally banished from their homeland to Florida.

It is a candid story which tells of great bravery shown on both sides, coupled with treachery and betrayal, and Mr Wellman, who writes vividly and with understanding, makes no

attempt to cover up the less savoury aspects of the behaviour and actions of the white man.

TECHNICAL CO-OPERATION IN SOUTH EAST ASIA

H.M.S.O. 2/-

During the seven years of the operation of the Colombo Plan Scheme for Technical Co-operation, a sum of about £7 million was spent on technical assistance by the participating Governments. From July 1950 to June 30th, 1957, 5,622 students from the countries of the area received advanced training in technology and 792 experts helped in the planning and implementation of their development projects. The United Kingdom contributed training places for 1,614 students and the services of 260 experts. Up to the 31st December, 1956, special equipment for the use of the trainees and experts valued at £1.4 million was provided; the bulk of this expenditure was incurred by the United Kingdom and Australia, the respective shares of these two countries being approximately £663,000 and £532,000. At the end of June this year, 1,858 trainees were studying abroad and 207 Colombo Plan experts were working in the countries of South and South-East Asia.

Report of Colombo Plan Council

These facts and figures are contained in the sixth Annual Report of the Colombo Plan Council for Technical Co-operation in South and South-East Asia. The Council was set up at the first meeting of the Colombo Plan Consultative Committee at Sydney in May 1950; its sixth Annual Report, now issued by H.M.S.O., was adopted at the Policy Session of the Council for Technical

Co-operation held in Colombo in July 1957. The member Governments represented at that session were: Australia, Burma, Canada, Ceylon, India, Indonesia, Japan, Pakistan and the United Kingdom. Liaison officers from the United States Technical Assistance Board and the United States Government also attended the meetings.

The Report, besides giving a brief statement of the activities of the Council and Bureau for Technical Co-operation and describing trends in the volume of training and equipment and the number of experts provided under the Scheme, comments on problems of technical co-operation and indicates the way in which technical co-operation fits into national development.

The Report records several instances where technical assistance has served as a stimulus to national effort in the establishment of specialised institutions for the training of technical personnel. Among these are the Technical High School in Rangoon, the Rehabilitation Centre at Surakarta in Indonesia, the Railway Development programme of Cambodia, the telecommunications programme in Pakistan, scientific and industrial research in Ceylon and atomic energy research in India. In all these programmes, while the primary initiative and a substantial part of the expenditure were of the Governments concerned, their efforts were assisted significantly by member countries of the Colombo Plan.

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).

Danish Foreign Trade

Denmark Exports 1957/8. Special Edition of Borsen, Denmark's Commercial and Shipping Daily. (951)

I.M.F.

Annual Report 1957. International Monetary Fund, Washington, D.C. Report of the Executive Directors for the fiscal year ended April 30, 1957. (952)

Digest Spotlight focuses on Canada's Trade Minister, Gordon Churchill

IN PURSUANCE of Mr Diefenbaker's aim to switch Canadian imports from the U.S.A. Her Majesty's Government in the United Kingdom and Canada agreed at Ottawa in October that a 'high-level trade delegation' should visit Britain. Its leader, the Honourable Gordon Churchill, D.S.O., M.A., LL.B., was born in Coldwater, Ontario, on November 8, 1898.

The son of a clergyman, Mr Churchill spent his early years in Saskatoon, Port Arthur, and Winnipeg where he attended high school and university. After service overseas as a machine-gunner in the First World War, he completed his education, graduating from United College, Winnipeg, and the University of Manitoba, and took up teaching.

When World War II broke out, he returned to the Army and during the attack on Europe commanded the 1st Canadian Armoured Carrier Regiment in North West Europe and was awarded the D.S.O. When the Khaki University was set up in London in 1945, Mr Churchill was appointed Dean of Faculty. Khaki University, successor to a similar institution established after World War I, provided first and second year arts and sciences courses for Service people while they waited to be demobilised and returned to Canada.

Elected to the Manitoba Legislature while still in London, Mr

Churchill sat as Army Representative for four years after his return to Winnipeg. It was during these years that he fulfilled a long-time ambition to study law. Mr Churchill recalls with amusement his first day at University: three of his students at Khaki University turned up for the same class and were stunned to see their former Dean sitting in the back row.

Mr Churchill has practised law as a member of the Winnipeg firm of Haig and Haig, barristers, since 1950. He represents Winnipeg South Centre in the House of Commons which he first entered in 1951 following a by-election.

Mr Churchill is married to the former Mona McLachlain of Dauphin, Manitoba, and has a grandson and two granddaughters, children of his daughter (and only child) Mrs M. N. Walker of Pointe Claire, Quebec. The Minister is an ardent sportsman, although in the last few years he has not found much time for his favourite games which include soccer (he played for thirty years), hockey, baseball, tennis, badminton, golf and curling.

His fellow-subjects in Great Britain wish Canada's Minister of Trade and Commerce and his colleagues success in a mission which could help assure the prosperity of both Kingdoms and greater stability for the Commonwealth.