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SHORTER NOTICES

The Smaller Dragon: A Political History of Vietnam, by Joseph Buttinger. (Atlantic Books. Stevens; 34s.)

This well-produced book enables the reader to become acquainted with the exciting but little-known story of Vietnam's age-long struggle for survival.

Parkinson's Law or The Pursuit of Progress, by C. Northcote Parkinson. (John Murray; 12s. 6d.)

The fact that this book is already in its fifth large printing is indicative of its popularity. Parkinson's Law first saw the light of day in *The Economist*, since when it has become a household phrase. It is social satire at its best. If you have not read this

book, you should do so without delay!

Economic History of England: A Study in Social Development, by H. O. Meredith, revised by C. Ellis. (Pitman; 20s.)

This is the sixth edition of a useful survey of the economic history of England from 1066 to the present day. Part I deals with medieval England, Part II the period when England developed a sense of national unity. The development of the industrial revolution are covered in Parts III and IV. Finally, the story is brought up to the twentieth century.

The Commonwealth—Expanding Opportunity. (Conservative Political Centre; 9d.)

One of the news and views series of booklets issued by the C.P.C. States the case for expansion by economic development.

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).

Commonwealth
Commonwealth Trade 1956-57. Commonwealth Economic Committee. (2s.)

A memorandum prepared by the Intelligence Branch summarising certain of the more important changes in Commonwealth trade which occurred during 1956-57. (1008)

Nuclear Energy
The European Nuclear Energy Agency of the O.E.E.C. (Organisation for European Economic Co-operation—Paris.)

Describes the structure and functions of the agency, and its first joint undertakings. (1009)

Electricity Supply
Load Factor in the Electricity Supply Industry. (The Yorkshire Electricity Board.)

Observations by Dennis Bellamy, Chairman of the Board. (1010)
P.E.P.

Problems of World Liquidity. P.E.P. (2s. 6d.)

Examines world currency reserves and their general pattern, with some suggested solutions to the problems of illiquidity. (1011)

Digest Spotlight focuses on

Rt. Hon. Reginald Maudling

Paymaster-General

THE mysterious title of Paymaster-General is a very British device for concealing a Minister without Portfolio. But its present holder, amiable, efficient, fluent, 'managerial', has been holding something pricklier than a portfolio. To Mr Reginald Maudling the Prime Minister entrusted the formidable task of persuading the statesmen of the European Six to accept the British plan for linking the United Kingdom and other countries not of 'the Six' with the European Economic Community by means of a partial Free Trade Area.

Mr Maudling is one of the younger lesser-public-school additions to the British governing order. He was born in 1917 and educated at Merchant Taylor and Merton, Oxford. His intellectual powers are evidenced by a First in Greats. He was called to the Bar by the Middle Temple in 1940. He married the year before and has three sons and one daughter. He had war service with the R.A.F. and in the Air Ministry.

In the post-war period of Tory Party reconstruction Reginald Maudling dealt with economic and financial affairs as one of Mr Butler's young men in the Conservative Parliamentary Secretariat.

In the 1945 General Election he unsuccessfully contested Heston and Isleworth. He was adopted as pros-

pective Candidate for Barnet in February 1946 and won the seat in the 1950 General Election with a majority of 10,534 in a three-cornered fight. His majority rose to 13,152 at the General Election of October 1951—again in a three-cornered contest. In April 1952 he was appointed Parliamentary Under-Secretary to the Ministry of Civil Aviation, having previously been Vice-Chairman (Finance) of the Party's Committee on Finance, Trade and Industry. In November 1952 he was appointed Economic Secretary to the Treasury; this office closely approximates that of Minister of State for Economic Affairs, which has now ceased to exist. At the last General Election his majority was 10,729.

Mr Maudling succeeded Mr Selwyn Lloyd as Minister of Supply in April 1955 and was sworn of the Privy Council, and in January 1957 he became Paymaster-General and spokesman for the Ministry of Power in the House of Commons. In August 1957 he was promoted to 'selling' E.F.T.A.—work calling for unremitting patience, skilful diplomacy and negotiating ability. Since January 1958 Mr Maudling has also assisted the Chancellor of the Exchequer over the whole range of economic affairs. As a parliamentarian, he has shown that he can hold

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stitutional links. It provided for closer trading and financial arrangements in an area of 19½ million square miles, one-third of the inhabited world, with a population of 950 million. The overseas Commonwealth would have been associated with Western Europe through a two-tier system of preferences.

The Committee of Ministers accepted the plan and it was remitted by the British to other Commonwealth governments. Then it was shelved. Britain's friends in Continental Western Europe became increasingly critical of a policy which neither accepted the supra-national approach nor offered an alternative.

Further Proposals

It was hardly for Britain therefore to complain when the success of the Coal and Steel Community was followed by further proposals for economic and political integration. Under the Rome Treaty of 1957, Belgium, Luxembourg, the Netherlands, France and Western Germany agreed to establish a European Economic Community. It is envisaged that by 1970, the Common Market countries, having progressively cut tariffs and quotas between themselves, will form one trading area and will act as a single commercial union. This will mean the free movement throughout the area of people and capital, co-ordination of economic policies, and readiness on the part of the national governments concerned to submit to a supra-national authority. The main executive organ will be a European Commission composed of members independent of, though appointed by, the Six governments. The first steps to implement this policy will be taken on January 1st, 1959. The Euratom Treaty similarly provides

for the integration of nuclear resources and development.

Alarm in Britain

These initiatives caused considerable alarm in governmental and industrial circles in Britain; they feared the loss of continental markets and fiercer European competition overseas. Commonwealth producers feared the effects of the inclusion of French, Belgium and Netherlands overseas territories in the E.E.C. So the idea of a European Free Trade Area took shape in London.

The main difference between the conception of the Free Trade Area and the Common Market is that, though they both provide a common market for their members, the Free Trade Area members can impose their own customs tariff upon imports from outside. Thus, Britain could continue to give preference to most Commonwealth and Colonial imports. The eleven possible candidates for inclusion in the Free Trade Area—Denmark,* Norway,* Sweden,* Austria, Switzerland, Greece, Iceland, Turkey, Portugal and the Irish Republic—would in a Free Trade Area be able to retain a greater degree of independence than that enjoyed by the Six in their dealings with each other and with the rest of the world.

Why have the negotiations on the Free Trade Area revealed the impasse indicated by Mr Gaitskell's question to Mr Macmillan? Largely because of French opposition. This opposition has grown rather than receded as attempts have been made to make concessions to meet their point of view. Typical of the French attitude is a report produced by the French

* NOTE: The Scandinavian countries are considering the establishment of their own Common Market.

European unity. There is no doubt either that there has been a distinct cleavage of opinion on the form that unity should take. The Federalists have wanted full integration and the handing over of sovereignty to a European Parliament. They have wanted not merely a Common Market but common government. Britain and other countries, notably the Scandinavian Kingdoms, have preferred inter-governmental co-operation in the economic, military and other spheres through such institutions as O.E.E.C. and Western European Union. Britain's unique position in the Commonwealth and her world trading position as the leading nation of the Sterling Area has made this view inevitable. She has also hesitated to put European before transatlantic ties. Britain, since 1940 the moral leader of Free Europe, declined to use her opportunities.

The Strasbourg Initiative

In 1950, Britain was invited to take part in the Schuman Plan. She refused. Later on, it is true, she sent a permanent delegation to the High Authority, but it was too late to modify the supra-national character of the six-power Coal and Steel Community already set up. Perhaps Britain's greatest opportunity came in 1952 when the Consultative Assembly of the Council of Europe adopted by 84 votes to none, with six abstentions, the Strasbourg Plan which set out detailed proposals for improving the economic relations between member States of the Council of Europe and the overseas territories with which they have con-

front those countries taking part in the common market with the stark dangers of dividing Europe and possibly by the action which we and other countries would be compelled to take to counter discriminatory action on their side? The Leader of the Opposition speaking in the House of Commons on November 11th thus drew attention to the likelihood of new discrimination and division if the negotiations within O.E.E.C. fail to link Britain and others with the European Economic Community of Six. In reply, the Prime Minister commended Mr Gaitskell's helpfulness, but he felt that any suggestion of retaliation should be left until the last hope of agreement had gone.

This presents a sorry picture. High hopes have been expressed since the war of ever closer economic co-operation between the nations of Western Europe. What has gone wrong? To assess the position, let us take a brief look at what has happened in Western Europe since 1945.

Is European Free Trade Doomed?

Cleavage of Opinion

There is no doubt that out of the destruction and disillusionment of occupation and liberation came a fervent desire for greater economic and political cohesion in a weakened, truncated and threatened Western Europe. This showed itself in the Marshall Plan, Benelux and the establishment of European organisations such as the O.E.E.C., its offshoot E.P.U., and the Council of Europe. There is no doubt that these bodies have aided European recovery and furthered the movement for

From 'Machinery Market', November 27, 1958

Textile Manufacturers' Association which denounces the idea of a European Free Trade Area or economic association. It says, despite British experience of Commonwealth preferential arrangements, that no satisfactory solution to the problem of origin of imports into the Free Trade Area can be found and that acceptance of such an association would imperil the livelihood of half a million French textile workers. It suggests that relations between the Common Market and the rest of the O.E.E.C. should be negotiated on a country-to-country basis.

Outlook Gloomy

This uncompromising French attitude has led Mr Reginald Maudling, the British Minister in charge of the negotiations, to admit that the outlook for agreement is very gloomy. The question then arises: What happens when the Common Market comes into being with the larger Free Trade Area? Will there be economic warfare and a further division of Europe in the name of European Unity?

These are tremendous questions, and the present situation is too clouded to assess the dangers satisfactorily. Mr Maudling said in the House of Commons: 'The dangers of failure are so great that we cannot afford to fail'. He may be right, but there are many who would not accept this view.

It must be borne in mind that the difficulties which confront the world today are no longer those of shortage, but rather of increasing ability to produce wealth. It is the problem of

the satisfactory distribution and consumption of this increasing wealth which lies behind so many of the difficulties in world trading relations. We failed to find a solution to this problem in the 20's and 30's. If we fail again, the result is plain to see. The setting up of a Common Market does not of itself increase ability to consume; other measures are also essential.

Two-Way Trade!

It is true that we export many things to the Common Market countries—coal, copper, machine tools, tractors and cars, scientific instruments, wool and hides, to name only a few. Undoubtedly, our ability to continue to export these goods will be worsened by the reductions of tariffs within the E.E.C. But trade is two-way; or at least it should be. If the French wish to continue to sell Britain their wheat, cereals, wines and spirits, fertilisers, synthetic textiles and other products, then they must continue to buy in return. Otherwise, there is no alternative to a switch of trade to Commonwealth and other countries.

This would not necessarily be a bad thing—or more hurtful to Britain than her neighbours. But the world needs a close European-Commonwealth association and therefore Franco-British co-operation. Is it too late for a lead from London and the understanding of Washington for a European trading area based on the mutual lowering of barriers and linked with an expanding world-wide Sterling and Commonwealth trading system?

Oil in Western Europe

WHILST the oil industry in the U.S.A. has encountered a check in the rise in oil consumption, due to the industrial recession of the past year, this position is not generally reflected in other parts of the world. Western Europe, for instance, shows signs of a steadily expanding demand for oil products as although coal supplies are more ample than for many years, the technical and economic advantages associated with liquid fuels are now widely appreciated. Last year the various restrictions made necessary by the Suez crisis led to a reduction in the use of oil during the early months as compared with 1956. Over the full year, however, oil consumption by all O.E.E.C. countries amounted to 103 million tons and was up by about 2 per cent. This overall increase was the result of a 6 per cent rise in oil usage in the second half of the year as compared with the same half of 1956, and it masked an actual decline in consumption in some countries, including the U.K.

Poorly Endowed

As compared with her large and growing oil requirements, Western Europe is somewhat poorly endowed with indigenous resources. The largest producers in 1957 were Western Germany with 4 million tons, Austria with rather more than 3 million tons and the Netherlands, France and Italy which each produced around 1½ million tons. Additional supplies were obtained from Yugoslavia and the U.K.—in the latter, despite efforts spread over many years, current production of crude

oil amounts to under 100,000 tons annually. The combined output of all Western Europe was just under 12 million tons last year—leaving nearly nine-tenths of total requirements to be met from outside sources. Among the latter, the Middle East occupied easily the most prominent position, supplying nearly all the crude oil required for the vast refining industry which has been built up in Western Europe since the end of the war.

French Resources

Apart from continuous endeavours to expand production in Germany, Italy, France and other European countries, there are expectations of obtaining important oil supplies from France's overseas territories in North Africa. By 1960 it is hoped that the Algerian fields will provide about 8 million tons of crude oil annually—and that later the yield will be almost doubled.

A further increase in oil consumption in Western Europe is also anticipated however. In Western Germany, for example, it has been calculated that demand may rise from under 14 million tons in 1957 to about 16½ millions in the present year while 1965 consumption is expected to be more than 32 million tons. This rate of increase may not be equalled in other countries, but if these are to remain competitive with Western Germany in industry and commerce they must considerably increase their use of oil above existing levels.

Oil and the Future

By DR G. TUGENDHAT, B.SC.ECON.

WHAT may oil producers expect from the future? The greatest market for their products is Europe. Before Suez and the latest developments in that area it was confidently believed that oil would have to be used to an increasing extent as an industrial fuel until the arrival of atomic energy. It was not thought that it would be possible to increase substantially the supply of home and foreign coal. At the moment European coal stocks are mounting and supplies of industrial coal from the U.S.A. could be increased at very short notice by 150 million tons or more per annum. There are also new sources of crude oil and natural gas. Production in Europe has been extended and it is now an accepted fact that over the next five to seven years supplies from the Sahara could be increased by 20 to 30 million tons per annum if the necessary capital investment were made. Other examples of new sources of supply are the recent developments in production of crude oil from shale in the U.S. and from the tar sands of Athabasca, where the major international oil companies are doing extensive reconnaissance drilling and are co-operating in the perfection of new recovery techniques.

No doubt the present depression will pass and the demand for energy will increase again. I doubt, however, that the lessons learned from the recent developments in the Middle East are likely to be forgotten. I would, therefore, hazard the guess that the best the Middle East can hope for is a comparatively small increase in the rate of sales to Europe, and I would not be surprised if

deliveries remained more or less stable with a tendency to fall over the year. I am confirmed in this opinion by three developments: 1. The determination of the governments of the coal-producing states in Europe, that is U.K., Germany, France, Belgium and Holland, to maintain coal as the principal source of supply for industrial fuel; 2. The acceptance by the major oil companies of this policy; and 3. By an acceleration of the search for petroleum in many parts of the world. In the underdeveloped countries there are still big markets which are, however, awaiting expansion. The Iraqi Oil Directorate has already announced its intention to expand oil exports to China as quickly as possible and to build new facilities to handle Far Eastern business. There should also be big opportunities in India and the east coast of Africa.

U.S.A.

Let us now turn to the U.S. In theory the U.S. could for many years to come be the biggest importer of Middle East crude oil or oil products, even if the present priority given to Venezuelan and Canadian crudes were maintained. However, as it is well known, the U.S. is a closed market and will probably remain so for a long time to come. I can see the United States making substantial loans to the Middle East in one form or another, but I cannot see them increasing considerably their present imports from the Middle East.

What of oil prices? To a large extent the European oil price structure has broken away from Platts f.o.b. plus freight, and most products

are now sold considerably below the official parity. In all probability there will be a return to higher product prices in European markets and elsewhere, but having regard to alternative sources of supply both of oil and coal, it is difficult to believe that the movement will go very far. I find it still more difficult to believe that there will be a rise in the f.o.b. price of crude oil in the Middle East.

In all these circumstances I think the Middle East may look forward to maintaining and perhaps increasing slightly its oil income from oil sales into the established markets. Additional oil revenues will have to come from increased sales into new markets, the development of which will require considerable capital expenditure. If more money is to be found quickly for local developments then the cake will have to be cut up differently, and we must expect the oil-producing countries to demand a bigger slice for themselves.

Oil and Coal

All these developments will raise a host of problems for the European governments and the major international oil companies. Here much will depend upon the question to what extent the governments and the companies will be willing and able to act in unison. To begin with, the interests even of principal coal-producing states in Europe are not wholly identical. France is now developing as fast as possible her own oil and natural gas production and, despite her interests in Iraq, will, particularly under the present régime, exploit to the utmost the oil and natural gas resources in the Sahara. The U.K. and Holland have very important interests in the international oil structure. Italy has no coal but is trying to develop her oil

and natural gas resources, and has now also acquired interests in Egypt, Iran and elsewhere. Recent developments are proof that Italy is determined to give a certain priority to crude oils and oil products emanating from her domestic sources or her foreign concessions. The Scandinavian countries have practically no fossil fuel resources and it will be their tendency to buy in the cheapest market. In these areas, as well as in Switzerland and Austria, Russian supplies may well assume increasing importance.

50-50 Plus

Future policy-making will also be influenced by trading arrangements with the Middle East. Up to now the purchase of oil equipment and much of the industrial installations that went with the development of the oil industry has been in the hands of the the Shaik in article nineteen of the major international oil companies. It is to be expected that in one way or another the local governments will henceforth exercise increasing influence upon imports, with particular reference to the country of origin. This right is reserved specifically to Kuwait/Japanese Agreement. We may further expect that an increasing proportion of oil funds will be diverted from consumer goods to industrial products. The demand for diamonds, gold and palaces will decrease, but the demand for capital goods should rise. The continuation of a buyer's market in exports will undoubtedly lead to direct or indirect barter arrangements, which in turn will influence oil imports. It is quite possible that barter arrangements between Arabian oil producers and China, India, Argentina and Brazil will assume increasing importance during the next few years. Here

it should be noted that neither the oil interests nor the development possibilities are identical over the whole area of the Middle East. As future buyers of industrial equipment the potentialities of Iran, Egypt, Iraq and Saudi Arabia are greater than those of Bahrain and Kuwait. The former also possess natural resources other than oil which await development. Kuwait, Saudi Arabia, Iraq and Bahrain now take the bulk of the oil revenue, which totalled about £350 million in 1957. Compared with these figures the revenues of the transit countries, i.e. Syria and Lebanon, were insignificant. All the crude oil producers wish to maximise their production. The redistribution of the 'golden rain' from oil will, therefore, present as many if not more difficulties than the problem of increasing production.

In this highly complex situation many problems will arise for the international oil companies. With their crude oil interests spread practically over the whole free world, they will be faced with the task of keeping production within the bounds of marketing possibilities, against an ever-increasing pressure by the oil-owning states to raise production in each area and for an increasing share not only in crude oil profits but also in the companies' overall activities. The difficulties of the international oil groups are further increased by the fact that most of them are either American or must pay great attention to American wishes and legislation.

The solution of all these problems is not made any easier by the numerous investigations into production costs, profits and management policy carried out by U.S. congressional committees and governmental agencies under the Sherman Act. The voluminous material published by these various bodies is eagerly seized upon by politicians and propagandists everywhere, especially in the oil-producing countries.

The biggest unknown factor in this situation is the speed at which these problems will have to be tackled. The impatience of the teeming masses of the Middle East to improve their standard of living and the desire of their rulers to satisfy these demands, if for no other reason than to keep themselves in power, is understandable. On the other hand there are very definite and real limits to the rate of progress in the consumption of Middle East oil. These limits are set by the market. There are also very real limits to the extent to which refining capacity can be switched to the Middle East. Europe cannot possibly give up her refineries and tankers. She will have to insist that the Middle East must be capable of meeting European crude oil requirements. Furthermore, the Middle East countries will have to realise that in matters of oil supply they have no stranglehold over Europe and that a diversion of bigger oil funds into their exchequers will raise problems which cannot be solved by brutal and one-sided action.

Workers' Councils in Poland

BY WITOLD NOWASAD

THE institution of the Workers' Councils was part of an overall plan whose object was to achieve the greatest possible de-concentration of economic power and administrative de-centralisation. Several measures were undertaken to this effect: the extension of the powers of the National Councils, the regional organs of the administration (in October 1956), the extension of the powers of the industrial enterprises and (quite recently, in March 1958) the plan for the establishment of economic unions in every branch of industry at the same time as the removal or limitation of the powers of the central administrations.

However, the essential condition for the success of all these reforms was the smooth running of the Workers' Councils in the factories. Unfortunately, after one year of existence the Councils either functioned badly or did not function at all. M. Jedrychowski, Chairman of the Planning Committee, said at the tenth Plenary Session of the Central Committee (March 1958) that '... the experiment of the Workers' Councils has given very good results and has contributed appreciably to the increase in production', but this was false optimism, necessary for the members of M. Gomułka's group, in order to hold their own, even within the Party, against the Stalinists and the indifferent opportunists who are in the majority in the Central Committee. The Polish press has for several months been full of the complaints of the readers and militants among the workers who vigorously

denounce the underhand and tenacious opposition of the bureaucracy and the Party apparatus, to the activities of the Workers' Councils. Above all, it is the rule according to which two-thirds of the members of the Councils must be workers, which is not respected.

Semi-Failure

It is characteristic that a year and three months after the Law on the Workers' Councils was passed—in February 1958—the weekly *Zycie Gospodarcze* started a discussion on the practical usefulness of the Workers' Councils. The enthusiasm with which the constitution of the Workers' Councils was observed during the winter of 1956 to 1957 already belongs to the past; the reality is gloomy and not very encouraging.

In what does this semi-failure of the Workers' Councils in Poland consist? There are first of all several very real and objective reasons for it: the difficult general economic situation, the danger of inflation, the inconsistent price policy which consists in fixing the price of basic materials too low and the price of consumer goods too high, the unfavourable balance of foreign trade, the threat of unemployment which already existed as a latent factor but which is developing dangerously above all in the small towns, disillusionment about the American loan, etc.

The anarchy and lack of discipline of the workers (expulsion of directors, etc.) also represents a grave threat to

From Central & Eastern European Commission of the European Movement

the Workers' Councils; the selection of men capable of directing the Councils, especially in the small enterprises, presents considerable difficulties. In fact, the Polish model, which does not copy the Yugoslavian example, is still in a period of adaptation.

Communist Contradictions

Besides the economic causes of the semi-failure of the Workers' Councils there is a fundamental cause of a political nature: the Stalinist fraction of the Polish Communist Party, which has influence and powers in the administration and in the Party apparatus, is sabotaging the Law on the Workers' Councils coolly and with premeditation, by preventing them from taking decisions and restricting their powers.

M. Gomułka's group, divided and numerically small, is still too dependent on Soviet policy to be able and willing to win the general battle of the Workers' Councils against their adversaries. This does not mean in any way that the Polish experiment has been completely negative and useless; it is still in progress, and one cannot as yet judge of its final outcome. This simply proves that the Communist system based on centralisation and distrust of the workers, cannot easily overcome its internal contradictions in the social and economic sphere. These contradictions and doctrinal errors are

visited upon the masses in the countries under the Communist régime in the form of added hardships in everyday life.

Restriction of Powers

The attitude of M. Gomułka's group towards the Workers' Councils is at present rather hesitant, and quite recently he seems to have taken some steps backwards. At the Congress of Polish Trade Unions held in April 1958 in Warsaw, M. Gomułka declared that from now on the Councils would not be completely autonomous; in every enterprise and in every factory there would be a 'management committee', of which one-third would be representatives of the Workers' Council, one-third members of the Business Committee, and one-third members of the basic Party Committee (P.O.P.).

By this means the Communist party intends to keep a firm hold on the management of the factories. This is a considerable restriction of the powers of the Workers' Councils, which may toll the knell of the Polish experiment in the sphere of workers' co-management. The very near future will tell us if this state of affairs can develop any further. In any case the existence of the Workers' Councils—even if it is semi-nominal—may one day serve the Polish workers as an instrument in the social and political battle against dictatorship by one party.

Commonwealth Survey

(1) ECONOMICS OF COMMONWEALTH

From an address by the Rt Hon. Alan Lennox-Boyd, M.P., Secretary of State for the Colonies, at a Conservative Political Centre meeting, 9 October, 1958, entitled Imperium et Libertas

THE Colonies have made great contributions to the strength of sterling in recent years: as one example, their net dollar earnings were at the rate of £100 million a year up to 1956, rubber, cocoa and tin being the most important commodities concerned. These earnings are continuing, but with the independence of Ghana and the Federation of Malaya only a fifth of the total is now attributable to the Colonies. The Colonies are very large holders of sterling assets, and their holdings have been fairly steady in recent years around the £1,000 million level.

It so happens, although the figures are not connected, that probably not far short of £1,000 million in help and investment has gone from the United Kingdom to the Colonies since the war. The yearly value of all new assets installed or created in the Colonies is now worth nearly £500 million in a single year, and much of this is financed from local savings. Nevertheless, external investment is vital for economic development. It has been estimated that in the ten years 1946 to 1955 70 per cent of the external capital investment in the Sterling Commonwealth as a whole came from the United Kingdom, 15 per cent from the U.S.A., 10 per cent from the International Bank and 5 per cent from elsewhere. Our total contribution to economic development in the Commonwealth has averaged nearly £200 million a year

in recent years, or nearly 1½ per cent of our gross national income or between 7 and 8 per cent of our gross fixed investment at home.

Labour and Tory Policies

You will remember the Socialist Party pamphlet of last year entitled *Labour's Colonial Policy—Economic Aid*. In it they proposed to re-introduce bulk purchasing, which as you know means controls, the State the only buyer, inevitable charges that Colonial prices are being kept low and all the bitterness that comes from State trading. They also talked of their plan to devote 1 per cent of our national income to 'backward and colonial territories'. The figure I have given you for our contributions to the Commonwealth alone in recent years is 1½ per cent of our national income. I would not know to what extent these figures can be compared: there are so many obscurities in the Labour Party proposal. It appears to embrace all under-developed countries, foreign as well—but just which countries would benefit, or how much the Commonwealth or the Colonies would get, is not clearly stated. Nor is it clear whether their promise includes the contribution of private investment.

Our figure of nearly 1½ per cent embraces the whole of the Commonwealth and the contribution of private investment—and properly so, when we are talking of Britain's contribution to the economic development of

the Commonwealth. Our contribution is as high a level of overseas investment proportionate to national income as is undertaken by any country in the world. But it is not enough. We recognise that economic development is a chief factor in preserving peace and genuine independence for under-developed countries. In our policy statement *Onward in Freedom*, we have pledged ourselves as a Party 'on grounds of humanity no less than of self-interest, to see that this country remains a major source of capital for the rest of the world'.

Decisions at Montreal

So at Montreal big changes of policy have been announced. We have decided to develop further what will be called Commonwealth Assistance Loans from Exchequer funds to Commonwealth countries, using our powers under the Export Guarantee

Acts. Offers already of these loans total over £50 million. As to the Colonies, we propose to include in the Colonial development legislation next session provision for a new system of Exchequer Loans to the Colonies to supplement amounts which they can raise on the London market. Further, we intend to seek an enlargement of the resources and activities of the Commonwealth Development Finance Company. Private enterprise does some two-thirds of our Colonial investment already and we think it can do much more, and this will help. At Montreal it was also agreed that the Commonwealth Economic Consultative Council should be set up to co-ordinate all existing arrangements for economic consultation. Meetings in London will be in a new Commonwealth House, which, given drive and imagination, can become the centre of adventurous Empire undertakings.

(2) DECIMAL COINAGE?

A DECIMAL system with a unit equivalent to ten shillings and consisting of 100 bronze cents or ten silver shillings is recommended by the Decimal Coinage Commission in a majority report tabled in the South African Parliament. The Commission says that the factual information incorporated in the report is based on the assumption that the official date of the introduction of the new system will be early in 1961, and that the entire task of machine conversion will be completed by September 1962.

(3) HIGHER GOLD PRICE?

AUSTRALIA has rejected a report by officials of the International Monetary Fund that there is no proven case to justify an increase in the price of gold.

From Australian News Letter, October 9th, 1958

of increasing international liquidity.

He promised Australia's support for the United States proposal to increase the Fund's resources. He said he was disappointed the plan was restricted to an increase in

quotas, as there were various other courses open.

Sir Arthur added that, while he was prepared to support the general case for an increase in world credit, this did not dispose of the case for an increase in the price of gold.

Rates of Interest & Depreciation of Money

	Indexes of Value of Money*		Annual Rate of Deprec. (comp'd) %	Rates Offered on Gov't Bonds	
	1947	1957		1947	1957
Switzerland	100	89	1.2	3.17	3.65
Germany	100†	87	1.5	n.a.	5.50
Venezuela	100‡	87	1.5	5.00	6.00
United States	100	80	2.2	2.25	3.47
India	100	79	2.3	2.86	4.13
Belgium	100	77	2.6	4.45	4.69
Italy	100	74	3.0	4.43	6.81
Canada	100	70	3.5	2.57	4.17
Denmark	100	69	3.6	3.65	5.77
Norway	100	67	4.0	2.50	3.12
South Africa	100	66	4.0	2.63	4.75
Netherlands	100	66	4.1	3.06	4.58
Sweden	100	65	4.2	3.02	4.33
United Kingdom	100	62	4.7	2.76	5.01
New Zealand	100	61	4.8	3.00	4.82
France	100‡	56	6.2	3.91	5.92
Mexico	100	49	6.9	9.94	10.32†
Uruguay	100	47	7.8	5.09	5.61
Australia	100	46	7.5	3.17	5.02
Finland	100	39	8.9	n.a.	8.00
Peru	100	37	9.5	6.66	7.69
Brazil	100	28	12.1	n.a.	12.00
Argentina	100	16	16.5	3.20	3.28
Chile	100	6	25.5	9.40	12.58

Note: Depreciation computed from unrounded data; n.a. not available; † measured by rise in official cost of living or consumer price index; ‡ except for mortgage bond yield in Germany, commercial paper in Mexico, and prime loan rate in Brazil, Chile, Finland, and Venezuela; †10-month average; ‡1948.

From The First National City Bank of New York, Monthly News Letter, June, 1958

The State as Landlord?

Specially contributed by IAN MACTAGGART

MUNICIPALISATION of all rented houses, the most horrifying of the Labour Party's proposals for the future, is only now beginning to make an impact on the press and the public. It is gradually being appreciated that this is not only, as Mr Anthony Greenwood, M.P., said, 'probably the biggest socialisation project that has yet been attempted in the democratic world', it will also have by far the greatest and most immediate effect on the daily life of everybody. The advent of steel nationalisation made only a small impression on the average man, but it will be a different matter if local authorities become the only landlords. The degree to which council tenants are at the mercy of the whims of local politicians will be brought home to them in no uncertain manner.

The idea apparently originated rather suddenly in the mind of Mr Bevan when he was called upon to oppose in Parliament the 'Operation Rescue' Act of 1954. Its origin, typical of many sweeping political panaceas, followed no research, and ignored difficulties.

Considerable Qualms

The idea that the community is better served by the State than by private enterprise dies hard in the minds of some Left-Wing reactionaries, but some even of these have considerable qualms, as is shown by the *Daily Worker's* opinion on 9th June, 1956:

'How would you like the local council to take over your rent-controlled house from the landlord and then proceed to increase the rent? . . . The plan is to order

councils to take over rent-controlled houses on a given date. . . . Rents will then be fixed at a higher level to enable local authorities to meet the cost of compensation paid to former landlords, plus the cost of improvements and repairs other than normal decoration or maintenance.'

The argument for the proposal is based largely on the condition of privately-owned houses today, but it is not reasonable to condemn or penalise landlords for the effects of past Government policy without considering that in the future, with adequate rents, they will improve and modernise their property to give a steadily rising standard of housing.

The economic consequences will be most serious. The annual costs may be comparable with those of requisitioned houses after the war, similarly old, and unlike council estates, all different and scattered everywhere. In 1954-55 requisitioned houses cost the Government, net, more than £100 per year each. If this was the annual cost of each of the 5.7 million houses involved, the burden on both tenant and taxpayer would be insupportable. Doubled rents and very substantially increased rates would be needed.

Inflationary

It is estimated that compensation to owners, while far below the market value of their houses, would cost some two thousand million pounds. The monetisation of such a large part of the country's capital would have a huge inflationary effect, and private savings would disappear as a source of finance for houses to let.

Many local authorities will, asking

nobody's opinion, decide that certain houses need improvements: perhaps they will decide that all their tenants must have bathrooms. Even with present rents many tenants are unwilling to pay anything extra to compensate for the cost of installing a bathroom.

Inflation, high rents, rates and taxes, bureaucracy, theft, coercion,

will be the consequences if municipalisation proceeds. The Rented Homes Campaign, of 9 Cavendish Square, W.1, who have published a 1s. 6d. pamphlet, are fighting to persuade the Labour Party to drop this ill-considered scheme which, if its consequences are generally known, will be by itself enough to lose them the next election.

Vital Statistics and the Save The Children Fund

Specially contributed by

T. W. BOYCE

(General Secretary, The Save the Children Fund)

A RECENT survey of the motives underlying contributions to charitable organisations showed that 'the majority of companies had no clearly conceived policy regarding their charitable donations'.

Obviously this truism depends a great deal on the kind of appeal made by the individual charity. The Save the Children Fund for example, which has a penny-a-week scheme operating in industry, has the support of management and members of nearly 15,000 firms. This year alone more than a million workers throughout Great Britain raised £155,000 worth of pennies.

Ingot, the quarterly magazine of the well-known firm of Richard Thomas & Baldwins Ltd, hit the nail on the head when they wrote: 'How much is a penny worth? When multiplied by the collective good will of working men and women—plenty.'

Where does the money go? Most of it is distributed in the form of goods—food, clothing and medicine—by the Fund's workers in more than

twelve countries in Europe, Asia and Africa. But, besides this, further substantial sums are sent wherever the need seems most urgent. Flood victims in Ceylon and Spain, Algerian refugees, and Persian children whose homes have been devastated by earthquakes, are among those who have recently received help in cash and kind. The Fund's expenditure amounts to £2,000 every day of the year.

Charity World-Wide

Whom do we work among? Children like Brigitte Engelhard in Austria, crippled with polio and 'waiting to die' in an old people's home because there was no other place for her to go. Or eight-year-old Kim Sum Duk—one of the 100,000 orphaned and homeless in Korea—coughing her way to death alone in a railway waiting-room. In Greece and Italy there are thousands of tiny babies dying from malnutrition and lack of medical care. Hungarian children, many of whom crossed the

border alone, still need our help in Austria. Wherever the Fund opens medical clinics or feeding centres the queues are endless.

But the Fund's records are by no means one long tale of misery. They show a brighter side as well—one which tells of lives not only saved but also enlarged and developed, so that the former patient becomes a happy and healthy member of the community. In Israel new life is made possible for thousands of Jewish orphans, and here the Fund works through the well-known society Children and Youth Aliyah.

In Great Britain nursery play-centres and junior clubs provide happy, informal meeting-places for children who live in cramped con-

ditions and whose only other playground is the streets. British children too share in the Fund's international holiday home in Essex, where they enjoy rest and recuperative care, while at Broadstairs a residential open-air school, Fairfield House, has as many as sixty girls at a time.

There is no State subsidy. The Save the Children Fund relies on the gifts in money and kind of people who believe in its mission. The mission that 'the child must be protected beyond and above all considerations of race, nationality or creed'. So it is that Arab or Jew, Negro or Asian, all come under the Fund's care—the only criterion is need.

East-West Economic Warfare

EXPERTS like the U.S. economic consultant, S. J. Rundi, believe in the extensive use of Trade Credit.

Addressing the Foreign Credit Interchange Bureau, he urged that business and Government develop a combination of public and private credit and that the U.S. Department of Commerce 'clear all data pertinent to foreign financing'. He declared that Government and industries should get together to block Communist trade advances. He suggested the pooling of bids, U.S. Government financial backing clearing arrangements for surplus commodities and stockpiling and even subsidies, if they became necessary.

In 1953-56 about 30 per cent of the world's supply of dollars came from military and other government expend-

Rural Economy

THE STATE OF WORLD AGRICULTURE

To those who have been irritated by the disappointing performance of Indian agriculture in the last one year, there is some consolation in the annual report of the Food and Agriculture Organisation of the United Nations. This consolation can be had from the opening paragraph of the FAO publication which highlights the setback to world agriculture in general. According to the index of world agricultural production (average 1952-53 = 100), there was a fall of one point in 1957-58 from the previous year's index of 120. The position in respect of *per capita* agricultural production in the world was even worse, the index having fallen by two points from the 109 of 1956-57. Even in the sphere of fisheries and forests, the world output was slightly lower in the last year as compared to the previous year. It would thus appear that the decline in agricultural production in 1957-58 was a worldwide phenomenon.

Surpluses

Yet there was the paradoxical situation of plenty in the midst of scarcity. It was, therefore, a great relief to have the benefit of continued disposal of agricultural surpluses by the United States. Particularly interesting in the FAO report are the figures given in respect of the huge quantities of surplus agricultural commodities which have been disposed of by the United States, mostly on favourable credit terms and at concessional prices, to a number of countries in the world. In a period of 3½ years, since the surplus disposal

programme began in July 1954, the U.S. Government have authorised financial provision for purchase, on behalf of other countries, of surplus agricultural commodities to the total value of \$6 billion under their P.L. 480 and other arrangements. Of this total authorisation, nearly \$5 billion was accounted for by actual shipments during that period. India alone has been aided, under P.L. 480, to the tune of about 700 million dollars so far, although the food grains which have been and are being supplied to this country consist predominantly of wheat. It may be noted here that the U.S. surplus in rice has throughout been very small, the value of the total rice disposal during the period having been just under \$200 million. While it is a matter of considerable relief that the United States continues to have these surpluses which are available at concessional prices and on easy credit terms, it would be prudent on the part of countries like India to take note of the declining trend in American agricultural production which is being brought about by stages.

Prices

The FAO report has dealt with the price factor—in respect of both consumer prices and producers' prices. In the year under review farm prices in most countries were reasonably stable and in some countries, even showed a small increase as compared to the previous year. Although in many countries the prices of goods bought by farmers have increased more rapidly than those of farm pro-

From The Eastern Economist, October 10, 1958

ducts and thus there has been a decline in the farmers' purchasing power, this phenomenon does not appear to have been true of India. For, according to the considered opinion of the Commerce and Industry Ministry of the Government of India, the prices of manufactured goods during the same year have not risen significantly. If anything, primary producers' prices have registered an increase during the year. In the circumstances, there is *prima facie* evidence to show that the farmers' purchasing power in India has increased to some extent and not decreased during the year. This statement, however, would have to be qualified by the consideration that the improvement in the farmers' purchasing power should have been largely confined to the bigger producers with comparatively larger marketable surplus to sell. In other words, it would mean that, by and large, the increased prices might not have really benefited the large numbers of small and uneconomic holders of land who are mostly subsistence farmers. At the same time, in India particularly, the increase in producers' prices was simultaneously reflected at the retail end. This trend, of course, was not confined to India for, according to the FAO report, in most countries food prices kept on increasing during the year and thus caused an upward movement in the cost of living.

Changed Communist Approach

The great merit of the FAO Report is that it has turned the spotlight on the continuing paradox of restrictions on production in some countries and the difficulties in the way of expansion of production in countries which need such expansion most. In

some ways the year under review was an eye-opener not only to the less-developed non-Communist countries but also to the Communist countries. In both these blocks of countries, there has come about a renewed realisation that the primary base would have to be more energetically strengthened by appropriate measures. The change in the Communist approach to agriculture, particularly in evidence in the Soviet Union and in the East European countries, may or may not endure; but there is no gainsaying the fact that the Communist Governments of these countries have realised the futility of a continued squeeze on agriculture which, in the long run, has turned out to be an obstacle to general economic progress itself. This relaxation in the matter of control over Communist agriculture in Europe has, however, not found application in Communist China where, unfortunately, the present trend is in the direction of greater control in that primary sector of the economy. This trend in China is only of very recent origin and could not have been foreseen by the FAO in its report. In the less-developed non-Communist countries also, there has been a vigorous expression of the need for strengthening the primary base. But efforts in these countries have only recently begun to give a greater fillip to agricultural production. This is particularly noticeable in India but it is by no means certain that the share of agriculture in available investments has increased substantially. Even if the investments in Indian agriculture come to be increased in the coming years, unless there is a better and more competent organisation in charge of food production, the goods may yet not be delivered.

The Myth of Over-Population

BY JACQUES DUBOIN

ECONOMISTS go on claiming, quite seriously, that population is increasing faster than the means of subsistence.

This is the club which is supposed to knock out those who believe in the age of plenty, at the moment when the abundance of raw materials is bringing about a fall in prices on all international markets! At the moment when, with us—in spite of the bad weather—people are complaining about having too much butter, too many artichokes, too many cauliflowers, too much tunny-fish, too many sardines, and so on.

Over-Population—

The myth of 'over-population' is as old as the world; maybe it was invented by a cave-man who saw an intruder appearing on the vast expanse of land that prehistoric man needed to get his food. Didn't this intruder prove that population was growing too fast?

Passing over several thousand years—at the end of the seventeenth century an English cartographer called Gregory King was getting worried over the growth of population in the British Isles. He used baptismal registers to discover that there were about five million inhabitants. Then he worked out that according to the curve of births the population would be doubled by the year 2300. He was appalled by this discovery. Well, the population has already gone up nearly ten times by 1958.

Soon after that Malthus gave his name to a very pessimistic doctrine which is still in favour. Malthus condemned soup-kitchens and parish

relief; he sang the praises of smallpox. So only rich people had the right to have children, and it's the fault of the poor if their life is wretched. That is the justification of their poverty: there will always be rich and poor, since the poor insist on having children.

But the population went on growing, which decided William Vogt to write his quite recent book *La Fam du Monde*. It has had a huge success. For this economist, the population of the world is increasing while the productivity of the earth is getting less! Therefore we must limit births throughout the world so that the human race does not grow beyond reasonable limits.

—Caused by Hunger

Well, let us take advantage of the demonstration organised by the Brazilians in honour of Dr Josué de Castro, to remember his fine book *The Geopolitics of Hunger*. This doctor, who was President of F.A.O., has finally upset the thesis of the pessimists by explaining that it is not over-population that creates famine in many areas of the world, but on the contrary it is hunger which is at the root of over-population.

Dr Josué de Castro has travelled throughout the world and had access through U.N.O. to the most official statistics. For him hunger is a scourge, but a scourge created by man. This is the meat of his argument:

Nobody any longer literally dies of hunger in times of peace anywhere except possibly in New Guinea and among a few isolated tribes in

Translated from La Grand Revêve, 6 September, 1958

Central Africa. On the other hand, hundreds of millions of human beings are suffering from hunger in the under-developed countries, in the sense that they are short of proteins mineral salts and vitamins. This enormous number of people are chronically under-nourished.

But these are the most prolific people. Why? Because under-nourishment intensifies the sexual function. Digestion assures the life of the individual, and generation assures the perpetuation of the species. Everything happens as if Nature was demanding the multiplication of humans to guarantee their survival. A South American proverb even says: 'The poor man's table is poor but his bed is rich'.

In the great cities of the West it can be seen that it is the most poverty-stricken districts which are the most populous. The father of a very numerous family was one day explaining to a lady social worker that it was the poor people's only entertainment: 'It's our cinema!' The fact is, the parents do not worry over much about their children's future and say to themselves that their poverty can never be darker than that in which they are plunged themselves.

Bad Distribution

The collective hunger which is deployed in the Tropics, in Latin America, in the Southern States of the U.S.A., in the Antilles or in Tibet, is only due to the bad utilisation of food resources. And in the 'civilised'

countries hunger can be seen to be only the consequence of a shockingly bad distribution of consumer goods.

The scourge of hunger will disappear with the inequalities of society, for science allows us to improve the yield of the land, on condition that economic forces do not work against it, which is what happened in many colonies.

So let us improve the living conditions of men and we shall not have to be afraid of over-population. We shall not have to worry about restricting births, because they will diminish naturally when families live better.

Abundant Food

People who do not like this argument can calm down about the demographic curve. Show them the conclusion of a study by the Australian Professor Colin Clark, who teaches political economy at Oxford.

This expert has calculated that our poor globe possesses seventy-seven million square kilometres of excellent temperate land capable of supplying abundant agricultural produce. He points out that a Dutch peasant feeds 365 people per square kilometre. Work it out: there is enough to satisfy the appetites of a population ten times as numerous as that of today.

And the most fertile lands of the planet do not come into this calculation: those are the sub-tropical lands which raise problems of exploitation which are beyond the reach of private agriculture.

Britain's New Dollar Saver

BRITAIN'S first venture into the bulk manufacture of general purpose synthetic rubber went into full production in October. This new £6,000,000 plant of the International Synthetic Rubber Co. Ltd, has capacity to produce up to 70,000 tons per year, making the United Kingdom independent of overseas sources. It can save the country \$25,000,000 per year on imports of this material.

The main ingredients of this product are styrene and butadiene, in the ratio of about three parts of the latter to one of the former. Requirements of Butadiene are met by the Fawley refinery of the Esso Petroleum Co. Ltd, which is situated only 1½ miles from the new plant. Supplies are piped between the two installations. Styrene comes from Forth Chemicals at Grangemouth and Shell at Partington, supplies being brought in by road, rail and sea.

The equity capital of the new company has been subscribed by the United Kingdom tyre companies. A kind in the world.

U.S.S.R.'s Trade With Socialist Countries

(in million roubles)

	1956	1957	1957 in per cent of 1956
Total	21,861	24,520	112.2
<i>Including:</i>			
Albania	105	187	177.3
Bulgaria	1,012	1,482	146.4
Hungary	991	1,426	143.9
German Democratic Republic	4,791	6,506	135.8
Democratic Republic of Viet Nam	15	52	347.0
China	5,989	5,129	85.6
Korean Democratic People's Republic	420	490	116.7
Mongolia	631	471	74.7
Poland	2,562	2,747	107.2
Rumania	1,789	1,763	98.5
Czechoslovakia	3,081	3,747	121.6
Yugoslavia	475	520	109.4

From Soviet News, October 24, 1958

U.S.S.R.'s Trade with Capitalist Countries

(in million roubles)

	1956	1957	1957 in per cent of 1956
Total	7,038	8,757	124.4
<i>Of which:</i>			
Austria	302	344	113.9
Britain	890	1,204	135.2
Belgium	245	235	96.0
Holland	207	213	102.7
Greece	54	87	161.4
Denmark	59	98	166.3
Federal Republic of Germany	440	533	121.2
Iceland	90	101	113.2
Italy	240	298	124.4
Norway	164	156	95.2
Finland	1,044	1,263	121.0
France	481	458	95.2
Switzerland	54	55	101.3
Sweden	243	226	93.3
U.S.A.	128	104	81.5
Argentina	128	102	79.5
Uruguay	61	73	120.5
Afghanistan	133	155	116.2
Burma	66	62	93.8
India	235	506	215.7
Indonesia	52	101	194.1
Iran	137	201	146.2
Malaya	337	198	58.6
Turkey	50	58	114.5
Japan	15	68	456.0
United Arab Republic	368	812	220.6

From Soviet News, October 24, 1958

Readers' Commentary

FROM A. A. DEWEY, M.A., B.SC.ECON., North Harrow, Middx.

A few years ago, I wrote to you urging the importance of giving, for all articles printed in the ECONOMIC DIGEST, both the title and the date of the journals from which they were reproduced.

I am glad to see that this principle is now generally accepted; but recent issues have shown a tendency for the date to be forgotten. Apart from specially-contributed articles and re-

views, the August-September issue has about six undated extracts from named periodicals. I hope that this tendency will be rectified.

The titles of the periodicals quoted are moreover often unilluminating to people who do not already know them: for example, 'A Monthly Bulletin' quoted 'In Praise of English Cooking' in your July issue, or simply 'C.O.I.' quoted on page 218

of the same issue. It would be helpful in assessing the significance and possible bias of the articles if you added a few words descriptive of the periodical, including its place of publication.

I hope that you will agree that adoption of these suggestions would

further increase the value of the 'E.D.'—to which I have been a subscriber from the first issue.

NOTE: We are glad to have Mr Dewey's letter and will do our best to meet his suggestions—Joint Editors. ECONOMIC DIGEST.

ADEQUATE CONSUMPTION

FROM Miss G. WOOD, 47 Barkston Gardens, London, S.W.5

In view of recent activities of the Banks and Hire Purchase people, one hopes never to meet again in pamphlet or on platform the words 'too much money chasing too few goods' as the reason for our financial difficulties. The goods have been there for some times, and could be available in still greater abundance if production were not restricted by various means, but almost all over the world it is purchasing power which is lacking. The problem of the modern Economist is to ensure adequate consumption of the tremendous production possible in modern times *without* inflation—and preferably without hanging debts round the necks of the consumers.

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World Rule by Central Bankers

Part III: THE WORLD PROBLEM AND ITS SOLUTION

By M.L.

THE true solution is decentralisation of economic power: not only money but productive resources; this is further confirmed when we examine the reasons for the continuing dollar shortage.

Since about 1870 there had been basic unforeseeable shifts in world demand reaching their culmination between the wars and since 1945—fundamentally from soft to hard and from 'consumer' to 'capital' goods. England through causes outside her (largely through causes outside her control) unable to adapt sufficiently. When she made an effort in the thirties the U.S. countered by devaluation of the dollar and the Reciprocal Trade programme culminating in the notorious Clause VII of Lend Lease and then Bretton Woods. Since 1945 Britain has made a big shift, but a further huge shift is necessary. For example, the Commonwealth, although it has 25 per cent of world population, only produces 11 per cent of world steel. The metal industries (capital and consumption) are perhaps the key sections. This is what is meant by saying that the chief task of the Commonwealth Economic Conference was the provision of capital for the O.S.A., and it can be either a huge opportunity to Britain or a permanent bane.

That under a non-centralised international economy this shift would take place is clear because Britain produces these types of goods 30 per cent or more cheaper than the

giving an example of orderly and peaceful government to its neighbours who would cultivate their smaller variegated herbaceous borders. The U.S. could not throw its hat into the ring of humanity like England under Free Trade.

Furthermore, America has currently 70,000,000 million tons of idle steel capacity—equivalent roughly to that of the entire rest of the free world capacity. Inescapable logic allows only three solutions: (1) Import more relatively and absolutely; (2) dump or give it away; (3) leave it idle.

We must probably look forward to a dangerous combination of all these three: any increase in imports (if it comes) being cancelled out by concealed, subsidised or forced dumping. If it does not organise, the outside world can therefore look forward to increased deflationary rather than expansionist pressure. The dollar shortage will be increased by countries servicing super-central bank loans but unable to increase significantly their dollar exports. These loans will eventually be paid in heavily devalued currencies (i.e. a relatively small quantity of high-priced U.S. exports against a large volume of imports of raw materials). On sterling the strain would be the greatest—the U.K. unable to expand its exports, the O.S.A. suffering unfavourable terms of trade and the pound still to be convertible. This would mean that current earnings would mostly go to keeping the system from breaking down and no increase in reserves or capital accumulation would be possible.

Interdependence?

Doubtless injections of aid would be given to prevent the system from breaking down as has been done up

till now. But in the long run this only weakens the will to independence ('inevitable union') as well as leading to an alienation of assets. Whereas if the U.S. were to cease to be a net absorber and import more, this would of itself lead to an expansion of production in the rest of the world (although slightly different from that already indicated) and by establishing the other nations as free, independent and prosperous, constitute the decisive victory against Communism.

Furthermore, the U.S. is no longer sufficiently powerful to refuse: her free gold reserves (\$9,000,000,000), are no larger than those of Soviet Russia (who has no short-term international obligations) and will shortly be smaller as Russian gold production increases. In this connection the remarks of the stern critic of the Sterling Area, Sir D. Copeland (in *Australian Production at the Crossroads*, by Holden and others): 'It would be foolish for a country like Australia (read 'Britain and the O.S.A.') to refuse dollar capital (read 'Russian capital') because of the foolish timidity of certain people disguised as loyalty to the sterling (read 'dollar') area.' Furthermore, the rest of the world today has a tremendously powerful industrial base compared to the U.S. and of course is dominant in raw materials. But it must present a united front to the U.S.

The Ghost Gone West!

It is regrettable that the proponents of supercentralisation will not see that any scheme, including their own, so long as the U.S. remains a net absorber, is only a temporary palliative over which the ghost of Norman flits. But they

refuse even these: for example, Sir O. Franks has let it be known that he does not favour the raising of the price of gold 'because it would reduce America's liquidity'. But *pari passu* it would increase other people's and so relieve the U.S. of a burden.

There are, however, more ways of skinning an eagle or a tariff than one: as regards the Commonwealth, if it is not allowed or has not the backing to resume its just and historical right of all people acknowledging the same sovereignty to trade together as they wish, then its many units can adopt the 'infant' industry approach. This is probably in any case the sort of solution we shall see in view of the fact that large-scale industry appears to be becoming more and more high cost. Mass marketers and producers should do well to ponder their premises now that the U.S.A., with the world's largest market and largest natural resources, has become the world's highest cost producer. In other words, small, dispersed, highly adaptable plants not nearly so vulnerable to world forces or requiring nearly as much momentum—in fact, more economic and cheaper producers. Although it is not irrelevant it is not the task of this paper to examine the more general influences at the back of the international centralisation idea of world domination. We see the Triumvirate—the U.N., U.S., U.S.S.R.—already competing separately for world power. The U.N., you may say, is the Lepidus of the affair

Concluded

—the only question is who is to be Caesar; the sides line up for the battle of Actium with Egypt's role apparently unchanged!

Whether 'Freedom' is 'worth it' or not, we must recognise that the present proposals constitute a massive attack on freedom within the western world. The British Commonwealth idea is the continuance of the eighteenth-century Liberal idea of the diminished State. The English democratic tradition is that of the extension of rights (particularly that of inviolability or independence) already won by a minority (the aristocracy) to the rest of the community (as opposed to a grasping of 'rights' by unfree peoples). It is therefore for the British nations to give a lead to the whole financial world now badly off course.

I do not think we need despair. The instinct of self-preservation may yet conquer the death-wish. But in the meantime we can only witness with anxiety the 'trahison des bank clerks'.

P.S. The above was written before the U.S. lead-zinc quotas and the I.M.F. and Commonwealth loan arrangements. The first two confirm the thesis that what is given with one hand is taken away with the other. The new subscriptions to I.M.F. will not be used to close the dollar gap but to perpetuate it in a larger form. The Montreal announcements were in line with the solutions indicated as available to British capital.

Digest Reviews

HUNGER AND REVOLT IN ALGERIA

Algeria: The Realities, by Germaine Tillion. (*Eyre and Spottiswoode*, 10s. 6d.)

No student of world affairs can afford to ignore this most important book. Its theme is not merely Algerian, but touches the whole problem of the hungry masses in every country; and those hungry masses make up three-quarters of the world's people. The other quarter which has been able to take advantage of the portentous increase of productivity in the last fifty years is better off than before. The standard of life of Britain's masses is immensely higher, and those of America are perhaps three times higher than ours. But that has not prevented us from making poorer the primitive people we have colonised, mostly through the *benefits* we have conferred on them, especially in matters of health. Their populations have doubled in North Africa in the last twenty years, but there is not much more for them to eat—in many cases less, for wells have dried up, and seed corn been eaten.

It was Mademoiselle Tillion's lot to work before 1939 in Aures, a remote part of Algeria, far from settlers. She returned there in 1955 to find them in much increased misery. 'The sudden and unprecedented increase in population, the simultaneous dwindling of resources, the collapse of the economy and contact with the heart-breaking superiority of foreign techniques are rocking to their foundations the archaic civilisations which have been subjected to this combined offensive'. It is a terrible story, and certainly a revolt

against France is not the answer; for that would take from them the opportunity of labourer's work in France and French investment and finance. The trouble was already acute in 1920—and there have been 30 years of worsening. Now, says Mlle Tillion, 'the choice before Algeria is between immediate conversion to an intensive industrial civilisation, or a swift decline, punctuated by interludes of shooting'.

What makes prosperity for France? Eight to ten years in school, then a job properly paid, and legislated welfare with a ballot-paper that works. What makes pauperisation in Algeria? The lack of these. And Algerians cannot provide them for themselves.

ROBERT SENCOURT

THE NEW POLAND

Home to Poland, by Christine Hotchkiss. (*Eyre and Spottiswoode*; 21s.)

'One of the multiple reasons why life in a Communist country can never be lived pleasantly is that its normal functioning is made almost impossible by the vast armies of people unnecessarily employed at all levels. In Poland's planned economy, efficiency is not considered important. What matters is full employment.' Thus writes Mrs Hotchkiss in her interesting eye-witness account of a visit to her old home in Poland to which she returned after an absence of eighteen years. During her stay she travelled from the Baltic to the Czechoslovak frontier, and had talks with all kinds of people including Wladyslaw Gomułka and the Primate of Poland as well as the shopkeepers, officials, students, far-

mers and so on. The result is a lively and informative book about the new Poland which emerged from the historic events of October 1956.

INDIAN WORKERS

Labor Problems in the Industrialisation of India. By Charles A. Myers. (Harvard University Press. Cambridge, Massachusetts.)

This is a readable and temperate account, supported by about the right stiffening of statistics, of the industrialisation of India first under a British-dominated capitalism, latterly in a 'socialist pattern of society' woven by the independent régime of the Indian National Congress. This system is shrewdly defined in a quotation from *Capital* of Calcutta which Professor Myers does well to include: "Nehruism" would seem to be Capitalism without the confidence of inalienable property rights, Socialism with a private sector, and Communism without revolution or ruthlessness.' Part of the social philosophy of the Nehru government is shown to derive from suspicion of the Indian businessman's integrity, part from a Gandhian antipathy to machinery and mass methods, part again from the British legacy of liberty and law. The enlightened labour relations enjoined by Indian nationalism today are often seen at their best in British and American firms. Hidebound management and political Trade Unionism, all the uncertainties and bureaucracy of a mixed economy—these are experiences not limited to India. In India, as Professor Myers shows, are added the complications of a labour force still influenced by the village and caste basis of society and a desire for

paternalism not on one side of industry alone.

Among a number of most useful appendices is reproduced the Labour Section of the First Five-Year Plan. J.B.-D.

IN THE HOUSE

A Doctor in Parliament. By Donald McL. Johnson. (Christopher Johnson, 18s.)

Most mortals who write their own lives do it once and for all; this is Dr Donald Johnson's fourth essay in autobiography and like its predecessors it is lightly, charmingly, wittily written. His comments on the House he entered in 1955 are penetratingly pungent and, though the author says he 'stalled on Suez', his bold and informed interventions on behalf of the mentally afflicted do honour to his heart and head. The Doctor quotes a former inmate of Russian and British mental hospitals as preferring the former; and prejudice and neglect have in Britain too long delayed needed reforms. Their accomplishment will owe something at least to the versatile writer of this most readable book.

IN LIGHTER VEIN

The Cummings Report. By James Brogan. (Hodder and Stoughton, 13s. 6d.)

There are not too many good thriller writers and Mr Brogan is a welcome discovery. Not all his characters fascinate and he was sometimes too technical for your reviewer, but this is a most exciting first novel of treason and espionage on two sides of the Atlantic.

and unknown sites, providing a wealth of historical detail and background. He comments: 'To explore the river is to explore London itself.' In the final chapter, the author introduces a fantasy of the future in which he expresses the hope that the vitally important role of London's river will again be re-established as in the past.

The book is well illustrated with over a hundred drawings and some very fine photographs; the latter, with one exception, were taken by the author himself.

SUDANESE

The Population of Sudan: Report on the Sixth Annual Conference; Philosophical Society of Sudan in conjunction with the Department of Statistics, Sudan Government.

The Sixth Annual Conference of the Sudan Philosophical Society was held in the University of Khartoum on January 16th and 17th. Those who spoke or made written contributions included British and other Europeans as well as two Sudanese and one Egyptian. This is the third report published as a separate volume. It is primarily of interest to specialists but will also attract, by its presentation and excellent photography, many who have a general interest in a great country with many ties with Britain.

NON-PARTY CONSERVATISM

Whose Home: Yours or Theirs? By Harry Dickens. *The E. D. O'Brien Organisation Limited.*
It's Up to You. By Lillian Sutton. (Printed by H.M. & Co., Leicester; 6d.)

The great novelist's great-grandson attacks the Labour Party policy of taking over five million homes as a

CANADIAN SURVEY

Canadian Monetary, Banking and Fiscal Development, by R. Craig Melvor. (Macmillan, 35s.)

The steadily increasing importance of Canada in world affairs makes this useful survey of Canada's economic development very timely. It will make good the lack of adequate reference material available to students and others interested in these matters. Dr Melvor has adopted the historical approach, and begins with a study of the lessons to be learned from the monetary difficulties which beset New France, the development from a barter to a monetary economy, and early currency and exchange in British North America. He traces the formative period in Canadian commercial banking, the financial aspects of World War I, the Great Depression, the Alberta Experiment, the Second World War and post-war Fiscal and Monetary policy. He concludes by discussing problems of monetary and fiscal control in the Canadian economy.

Of the continued existence of a Social Credit administration in Alberta, the author comments that this exists 'mainly on the strength of a competent and essentially conservative administration, unprecedented provincial prosperity associated with the development of rich oil resources and the government's judicious lack of enthusiasm for its earlier monetary proposals.'

OLD MAN RIVER

London's Riverside—Past, Present and Future, by Eric de Maré. (Max Reinhardt, 30s.)

This account of London's riverside from Roman times to the present day makes fascinating reading. Mr de Maré explores both well-known

threat to freedom, for they would be controlled by public officials with no right to appeal by the tenant to the courts. Mr Dickens also analyses the immense cost which would have to be met, by taxes, rents or higher rates.

Miss Sutton is Chairman of the Housing Committee of the National Council of Women as well as Honorary Organiser of the Society for Individual Freedom. She has done the Constitution a service by reminding citizens of their duty to vote at elections and her attractive pamphlet also gives the British Commonwealth of Nations some pleasant publicity.

DOLLARS IN U.K.

American Investment in British Manufacturing Industry, by John H. Dunning. (Allen and Unwin, 35s.) United States investment in British manufacturing industry is now valued at nearly \$1,200 million, and is growing at the rate of 10 to 12 per cent per annum. The main purpose of this study, based on three years research, is to assess the implications of these developments to the British economy. The author makes no attempt to prove or support any preconceived thesis; his analysis is descriptive rather than analytical. He seeks to 'consolidate existing knowledge and to open up new lines of enquiry'.

A GREAT SCIENTIST

Professor Soddy: An Appreciation published by the New Europe Group, (5s.)

The New Europe Group is to be congratulated on publishing this booklet in commemoration of the late Professor Frederick Soddy, who died on September 22nd, 1956. The

booklet contains many striking tributes paid to a man who is rightly described 'as a great scientist, a great Englishman and a man whose true greatness belonged to humanity altogether'.

THE NEW CHINA

Red Carpet to China, by Michael Croft. (Longmans, 21s.)

The author, who founded the National Youth Theatre, was unexpectedly invited to join an international youth delegation to China. He has related here the experiences and impressions of his strenuous six weeks' journey and the result is both entertaining and informative, giving the reader valuable insight into life in the new China. During his visit, the Hungarian Revolution and the Suez Crisis blew up, creating enormous tensions, and resulting in anti-British demonstrations particularly on the part of youth organisations. Mr Croft describes his own reactions to these outbursts and gives interesting accounts of conversations with the General Secretary of the Chinese Communist Party and members of the Hungarian Army who were also visiting China at the same time.

The Inflationary Spiral: The Experience in China, 1939-1950, by Chang Kia-Ngau. (Chapman and Hall, 80s.)

This is an intensive study of the causes and effects of a modern inflation. The author is an economist and banker who was a Cabinet Minister in the Nationalist Government of China for over a decade. He examines the progress of the Chinese inflation during the years 1939-1950 and comments: 'China was not equipped with adequate banking

facilities to encourage savings. Under these conditions, the government failed to appreciate the necessity of undertaking effective measures to expand aggregate supply. It overestimated the readiness with which supply could be raised in the short run, and it grossly underestimated the inflationary effect of expanding money supply.'

TYCOON'S LAMENT

Expense Account, by Joe Morgan. (Longmans, 15s.)

Peter Cody, promotion manager for an American Tool and Products Company, is beset with the problem of a dual existence. All the week he is able to command the best of everything, food, travel, entertainment and so on, all on his expense account. When he returns home for the weekend a very different situation confronts him, his wife and four children struggling to manage on a relatively small income.

This novel tells the story of his struggle to maintain some kind of equilibrium between business and home life which involves him in Big Business intrigues with all that this implies. The author writes amusingly, and his book makes an interesting commentary on the vast influence of the 'expense account' in the American way of life.

SHORTER NOTICES

Everyday Economics, by Edward Sladen. (Pitman, 10s.)

Here is a useful textbook for the student who wishes to obtain a working knowledge of economics. Each chapter is followed by an extract taken from the press, periodicals, or from novels, giving examples of the working of economic forces, a useful way of relating theory to

practice. Questions posed by various examining bodies are also given.

The King's Government and the Common Law—1471-1641, by Sir Charles Ogilvie. (Basil Blackwell, 21s.)

Illustrates the dominating influence of the theory and practice of the Common Law on the political, economic and constitutional history of England in the fifteenth to seventeenth centuries.

Classics in the Theory of Public Finance, edited by Richard A. Musgrave and Alan J. Peacock. (Macmillans, 30s.)

The editors of this volume have gathered together samples of the vast mass of controversial writings by Continental writers on the subject of welfare economics which have been largely ignored by the English-speaking world. Wieser, Barone, Wickseil, Lindahl, Wagner and many others are included in this symposium. *Economic Theory and Western European Integration*. By Tibor Scitovsky. (George Allen and Unwin Ltd, 16s.)

The Professor of Economics at the University of California is not a writer of charm, but his is a book which should be read by all concerned for and with European economic unity; for he exposes some of the current manifestations of a facile utopianism, many of which arise from out of date nineteenth-century theories.

The Foods We Eat, edited by Geoffrey C. Warren. (Cassell, 21s.)

This survey carried out by the Market Research Division of W. S. Crawford Ltd surveys the eating and drinking habits of the people of England, Scotland and Wales. The survey disposes of some fictional

ideas of our habits and show how they vary in regions as well as in income class—for example, the changes between summer and winter diets, and how climate affects choice of foods to a greater degree than does the money available.

The survey extends from the early morning cup of tea to the 'nightcap'. The English addiction to tea and the Scots' love of porridge are confirmed by irrefutable figures. The authors calculate that we drink $5\frac{3}{4}$ cups of tea per head per day—or something like 3,360 million gallons a year.

Japanese Politics: An Introductory Survey, by Nobutaka Ike. (Eye and Spottiswoode, 25s.)

A useful survey of Japanese politics and social life as they have emerged from the war. A brief historical outline is followed by an analysis of Japanese social structure, the importance of the family as the basis of social organisation, and the structure of government is stressed. The author then goes on to examine business, the political parties, the effects on the electorate of press and broadcasting, and how decisions in politics are made.

SPOTLIGHT *Concluded from page 333*

the House of Commons in a detailed speech on an intricate subject without using notes.

The future of European economic unity is in doubt. 'If there is still a general will to reach agreement on a Free Trade Area, then we can succeed.' Thus Mr Maudling, addressing his constituents. Is his own political career also in issue? This at least may be said: Ultimate success in his difficult mission at O.E.E.C. could establish even more firmly in the present Prime Minister's estimation a possible Prime Minister of the future.

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).

Essays in International Finance

The Pound Sterling, 1951-1958, by Roy Harrod. (International Finance Section, Dept. of Economics and Sociology, Princeton University.)

This is number thirty in a notable series of essays dealing with international finance. (1012)

East-West Trade

Statistical Review of East-West Trade, 1956-57.

Eleventh Report to the U.S. Congress under the Mutual Defence Assistance Control Act of 1957. (Battle Act.) (1013)

Taxation

The Elimination of Double Taxation. (O.E.E.C., Paris.)

A report of the Fiscal Committee containing recommendations for the elimination of double taxation. (1014)

Freer Trade

Code of Liberalisation. (O.E.E.C., Paris.)

New edition brought up to date to May 1st, 1958, in French and English. (1015)

Terms Used in International Trade and Payments and National Accounts. (O.E.E.C., Paris.)

Glossary and definitions of terms giving English and French equivalents of a large number of words and phrases in common use among experts in the O.E.E.C. (1016)