BANK ADVANCES

The year has been a difficult one for bank management. In February the banks were required to maintain their discriminatory standards of judgment towards applications for advances in the face of the widespread supposition that the 'credit squeeze' had been relaxed. In September they were called upon to adopt an even more restrictive attitude, following the requirement that the average amount of advances during the ensuing year should not exceed that of the preceding twelve months. Accordingly, they were again confronted with the task of satisfying many credit-worthy customers that the refusal of credit facilities was not of their own choice, but was imposed by authority in the national interest.

The figures of bank advances year by year give some idea of the magnitude of the contraction of bank credit relative to national income, as a rough measure of the total turnover of business. Comparing the figures for 1957 with those for 1951, the national income has expanded by nearly one-half, while bank advances have risen only slightly. The withholding of credit must have delayed some business development which on its own merits was to be desired on considerations of ultimate benefit to the national economy in a competitive world. Further, failure to obtain credit from a bank, for purposes which were officially regarded as standing low in the order of priorities, has been followed in many instances by resort to other, largely unregulated and probably less economical sources of finance.

DEPOSITS AND TURNOVER

Deposits have again shown only a trifling growth, but their composition has changed, a considerable shift having taken place, particularly since September, from current account balances to deposit accounts.

A new contribution to published statistics is included in a table, covering the post-war period, showing broad indices of business activity. A 'business turnover' index has been calculated from annual totals of turnover on current accounts with the Midland Bank after deducting the figures of a few branches which are heavily affected by purely financial operations. The figures indicate that business turnover rose faster than national income in the immediate post-war period, with the dismantling of war-time controls and the return of trade in many commodities from Government departments into private hands. Thereafter, the comparatively slower rise may reflect the gradual increase in that part of the national income finding its way into the possession of people not ordinarily operating bank accounts.

For roughly a decade the amount of current account balances has remained on a level, with only small divergences either way; yet business turnover has increased more or less markedly year by year. The same amount of 'bank money' has been doing more and more work. It would be difficult, in the light of these figures, to attribute the post-war inflation, as expressed in rising prices, to the availability of bank money, whether in the form of pure credit moneys or of balances newly created by the use of bank advances.

We are naturally giving close consideration to possible effects upon our business of the inauguration and development of the European common market and to the implications of the proposed Free Trade Area. These are two distinct though related projects, and we find that industrial and trading customers of the Bank sometimes experience difficulty in obtaining all the information and guidance they need in assessing the likely reactions upon their own businesses and visualising the steps they might take to seize every opportunity of expansion. Within our own Bank we have accumulated much information, both general and particular, which is relevant to such investigations, and on a number of occasions we have been able to provide some assistance. We welcome inquiries relating to these matters and are ready to give them the specialised attention that the details of each case require. The services of experienced officials are available by inquiring at any of our branches.

ECONOMIC DIGEST

FEBRUARY, 1958 VOLUME XI No. 2

Digest Spotlight focuses on

The Right Hon. Derick Heathcoat Amory

Chancellor of the Exchequer

NEVER an easy furrow, the Treasury Mr Heathcoat Amory took over has been somewhat churned up by the resignation of Mr Peter Thorneycroft, Mr Enoch Powell and Mr Nigel Birch. Yet there is no reason to assume that the new ploughman—or is he poacher on the revenue turned gamekeeper; for Mr Heathcoat Amory was Minister of Agriculture before his promotion?—will prove unequal to the task. Almost a newcomer to Parliament, he was soon chosen for office and mentioned as a possible Premier-to-be. This humane and capable West Country industrialist has in 1958 an ascendancy over a House he first entered in 1945. No orator, his diffident yet persuasive manner and mastery of facts and detail soothe and influence the most difficult audience in the kingdom.

He holds Tiverton by a handsome majority. One might dare to say that he is Tiverton. Banker and textile manufacturer, he is prominent in the Industrial Co-partnership Association and sets a fine example on his native ground of the good employer who practises his preachment. He has given his neighbourhood good service, as Devon County Councillor, Governor of Blundell's and Boy Scout Commissioner. A keen sportsman, he was for nine years Joint Master of the Tiverton Foxhounds.

He held a commission in the Royal Devon Yeomanry for twenty years. Born in 1899, he was in his forties when he was seeing war service with the Gunners and on the Staff. He jumped into Arnhem, was badly wounded and taken prisoner.

After war—politics. Returned in 1945, re-elected for Tiverton in 1950 and 1951, Mr Heathcoat Amory was Minister of Pensions—he knew the meaning of battle and wounds—from October 1951 until the Ministry was merged with that of National Insurance. He was then made Minister of State at the Board of Trade, a Government Department concerned with economic policy and supervised by the Treasury he now commands. He entered the Cabinet in July 1954 as Sir Thomas Dugdale's successor at the Ministry of Agriculture and Fisheries, which in April 1955 absorbed the Ministry of Food.

Mr Heathcoat Amory thus has the experience and the qualities of a Chancellor. With his colleagues of the Cabinet he has proclaimed his continued determination to beat inflation, and the country and the speculators need have no doubt that, like Mr Thorneycroft, his successor is a man of principle and a man of courage.

What is more, he remains a most eligible bachelor!

'I'd have made them dig for their gold'

BY SIR ROBERT BOOTHBY, K.B.E., M.P.

MR S. W. ALEXANDER says that I have brought a 'monstrous accusation' against the 'hard money men' of the inter-war period.

Well, let's have a look at what they did to us. It was brilliantly described by the late Pierse Loftus, M.P. for Lowestoft, in a striking speech in the House of Commons from which I take the following quotation: 'I well remember coming back from France in 1919. This country was richer and had a higher prestige than ever before in its history.

'We had the greatest Navy, the greatest Air Force, and the finest Army in the world. We had the land of England better cultivated than it had been for two generations. We had more skilled mechanics, more skilled ship-builders in the country, with magnificent new factories and machinery.

'The whole world was clamouring for our goods, and primary producers throughout the world had good incomes, because prices were satisfactory and they could pay for our goods and were demanding our goods. Our position was one of immense wealth; but financial theory said, "You are poor", and for twenty bitter heartbreaking years we laboured to make the actual facts fit financial theory.

'Prices of primary producers throughout the world were forced down by our financial policy of deflation; we ruined the farmers of the world and the farmers of our own country. We destroyed ship-building yards, pulled down factories, scrapped machinery, forced our skilled mechanics and artisans to migrate to America and the Dominions; we made the soil of England go out of cultivation and become more derelict than it had been for hundreds of years.

'And at the end of twenty such bitter years we had made the actual facts fit the financial theory, and we were poor indeed: and our prestige sank almost as low as it has ever been.'

Orthodox

In the 1920's I was Parliamentary Secretary to Sir Winston Churchill, then Chancellor of the Exchequer. 'It is the orthodox Treasury dogma, steadfastly held', he told the House of Commons (with an implication of personal doubt), 'that, whatever might be the political or social advantages, very little additional employment, and no permanent additional employment, can, in fact, and as a general rule, be created by State borrowing and State expenditure.' Could greater nonsense be imagined?

Later, after he had ceased to be Chancellor, he told me that he had gone the whole hog against gold, which had been used as 'a vile trap to destroy us'. But by that time Snowden was in command, bringing in an Economy Bill and a Budget which made savage cuts in the pay of the armed forces, the teachers, the police, and in unemployment benefit and were rightly described by Keynes as 'replete with folly and injustice'.

Three million unemployed were deemed a cheap price to pay for what Mr Alexander would presumably call 'honest money', and I would call a grossly over-valued pound.

There were six million in Germany; and on their backs Hitler climbed to power, with the aid of Dr Hjalmar Schacht. Who gave him the cash? The 'hard money men' of the City of London. And who was godfather to Schacht's daughter?

I'll give Mr Alexander two guesses, and if the Governor of the Bank of England is one of them he won't be far wrong.

'I know what I'd have done with the whole lot of them—the Cunliffes (although he was my uncle), the Normans, the Niemeyers, the Alexanders (yes), and all those who proclaimed that money was more important than goods, or indeed than life itself. I'd have put them all down a gold mine and made them dig for the stuff in which they so passionately believed.

Mushrooms

And, after that, I'd have made them take it across the Atlantic and put it underground again, in the vaults of Fort Knox.

I must say I thought we were finally through with the 'hard money men' when Keynes went to the Treasury and the second world war was financed on the basis of cheap money. Not a bit of it! Up they all popped again at Bretton Woods, like mushrooms, under the leadership of Harry Dexter White; and, having battered Keynes to death, saddled us with an international currency system which, unless it is radically amended, cannot fail to wreck the economy of the free world.

This, presumably, was Mr White's primary objective. What is depressing is to see Mr Alexander and his pals trotting meekly along to be slaughtered once again. For this time they are up against something far more formidable than a few million unemployed.

They are up against a Communist world which does not have to cut back productive investment in order to maintain the exchange value of its currency, and which is determined to destroy us with economic weapons, if we do not destroy ourselves.

Does Mr Alexander doubt the validity of the production figures given by the Vice-President of the Academy of Sciences of the U.S.S.R. in *The Times* of December 7? He would be ill-advised to do so.

And, if he does not, the fact that there is substantial unused industrial capacity both in this country and in the United States, and that steel production in the latter is now approaching 70 per cent, is an outrageous scandal, for which the 'hard money men' are entirely responsible.

From The City Press, December 13, 1957

MARRIAGE OF OIL AND THE MACHINE

'Spells New Hope for East and West'—*Viscount Hailsham*

'WE need oil; without oil, Western machines would slowly grind to a halt. But oil needs machines—and machines with an industrial population skilled to use them. Without machines, oil is what oil has been for millions of years—an evil sludge smelling of stale fish decently buried for countless millennia and reaching the surface only to foul the air and pollute the desert sand. But the marriage of oil and the machine spells hope for East and West, for Arab and European alike. This marriage spells the end of the age-long slavery to poverty under which East and West have suffered for countless ages.'

Lord Hailsham at the Annual Dinner of the Anglo-Iraqi Society

New Towns: The Latest Figures

The following figures for the year's working are mostly arrived at by deducting from the totals in current statistical tables the totals in our tables of a year ago.

Houses and Population

In the calendar year 1957 about 12,500 new dwellings were completed, as compared with about 13,000 in 1956. The population grew by about 45,000 (1956, about 38,000). Altogether the fifteen new towns had housed by December 1957 about 231,500 persons in 75,970 new dwellings, of which 63,800 have been built by the corporations. The eight London Ring towns have housed about 162,800. Since the start the population in the new towns has grown by an average of about 3.05 persons a new dwelling. In the year to December 1957 the estimated increase was about 3.65 persons a new dwelling; this, of course includes the considerable natural increase of population in pre-1957 dwellings. (The overall average has increased in the year from about 2.93 to 3.05 persons a dwelling.)

Sizes and Densities

The standard of accommodation in the new towns is high by comparison with that in typical central redevelopment areas. But it is being affected by recent pressures for economy. In the completed schemes for the twelve towns in England and Wales at March 31, 1957 there were 43,514 dwellings (houses and flats) with an average of 4.249 habitable rooms. In the nine of these towns for which separate figures are given, there were 27,815 houses with an average of 4.472 rooms, and 2,847 flats with an average of 2.836 rooms. The site densities were: of houses 13.57 an acre with 60.68 rooms an acre; and of flats 26.67 an acre, with 75.62 rooms an acre.

The average local density of flats varied widely; from 23 an acre at Crawley and Stevenage, to 42 an acre at Bracknell, and 55 at Hatfield.

The average density of houses also varied: from less than 10 an acre at Basildon, 11.7 at Crawley, and 12 at Bracknell, to 16.6 an acre at Peterlee, 18¼ at Harlow, and 18⅔ at Hatfield. (These averages are, of course, affected by the differing proportions of houses built for owner-occupation.)

It should be mentioned that the corporations' official accounts to March 31, 1957 reveal what must have been an error in last year's official figures for Hemel Hempstead, which led us to believe that this town's houses had many more rooms than the general average. Its actual average (for houses) is 4.68 rooms—exactly the same as at Harlow. But its flats in completed schemes had an average of 3.19 rooms, as compared with Harlow's 2.81, Bracknell's 2.14, and Basildon's 1.90.

Flats

Harlow had the highest percentage of flats in these completed schemes: 21 per cent; Corby had 15.2 per cent; and Hatfield 14 per cent; while Hemel Hempstead had 9.6 per cent; Basildon and Bracknell 7 per cent; Stevenage 6.4 per cent; Peterlee 4.5 per cent; and Cwmbran 3 per cent. The overall average for completed schemes (in the nine towns referred to) at March 31, 1957 was 11.6 per cent of flats.

The trends, however, should be noted. In the schemes completed (in the same nine towns) in the year to March 1957 the houses had an average of 4.14 rooms (as compared with 4.57 in earlier schemes) at a density of 15.12 (as against 13.13) houses an acre. Flats had an average of 2.74 rooms (as against 2.87 earlier), at 35.38 flats (as against 24.44) an acre.

Costs of Dwellings

In the six towns (England and Wales) for which separate building costs are given the cost per house (4.409 rooms) averaged £1,692, or £384 a room. The cost per flat (2.756 rooms) averaged £1,616, or £586 a room. The average rental per house in this sample was £86 p.a. (33s. 1d. a week), and per flat £74 p.a. (28s. 6d. a week).

Industry, Business, Schools

In 1957 nearly 2 million square feet of new factory floor space was added, bringing the total to 298 new factories, with 10¼ million square feet, employing about 66,500 persons. A further 2 million square feet were under construction.

New shops completed numbered 1,113, as compared with 820 in 1956. Their floor-space rose from 989,000 to 1,643,000 square feet.

The number of school places completed rose during the year by about 11,300 to 55,250 in 118 new schools.

From Town and Country Planning, January 1958

FAR EAST STEEL PRODUCTION AND CONSUMPTION IN 1956 AND 1960.
Thousand metric tons (ingot equivalent)

	1956				1960 (*est.*)			
	Production	Imports	Exports	Apparent Consumption	Production	Imports	Exports	Apparent Consumption
Afghanistan...	—	5	—	5	—	5	—	5
Burma ...	—	43	—	43	20	105	—	125
Ceylon ...	—	75	—	75	—	75	—	75
China ...	4,350	89	—	4,439	8,500	200	—	8,700
Formosa ...	60	95	—	155	200	50	—	250
Hong Kong...	—	304	—	304	—	310	—	310
India... ...	1,738	1,497	—	3,235	6,000	—	—	6,000
Indo-China ...	—	47	—	47	4*	166	—	170
Indonesia ...	—	230	—	230	40	660	—	700
Japan ...	11,106	318	1,497	9,927	19,000	—	2,000	17,000
Korea ...	650	70	—	720	685	145	—	830
Malaya ...	—	293	—	293	12*	288	—	300
Nepal ...	—	—	—	—	12*	—	—	12
Pakistan ...	15	272	—	287	70	305	—	375
Philippines ...	40	275	—	315	140	210	—	350
Thailand ...	—	138	—	138	100	100	—	200
Total ...	17,959	3,771	1,497	20,233	34,783	2,619	2,000	35,402

* Steel production in these countries will be confined to the re-rolling of scrap.

From Steel News

Commonwealth Survey

(1) DIAMONDS IN THE COMMONWEALTH

BY SIR REGINALD LEEPER, C.B.E., K.C.M.G.

On his retirement after thirty years in H.M. Foreign Service, Sir Reginald was appointed Director of De Beers Consolidated Mines and Chairman of London Committee of De Beers and associated diamond companies

COUNTRIES of the Commonwealth occupy the front rank in the diamond trade today. Although it cannot be said that South Africa leads the world in the actual production of diamonds as she does so outstandingly in the case of gold, she has nevertheless been more closely associated with diamonds than any other country.

All the other producing companies on the African continent are ready to recognise De Beers Consolidated Mines, the leading South African company, as the senior partner with whom they are glad to associate themselves in what has been built up as a common enterprise. The accumulated experience in the mining and marketing of diamonds during nearly a century and the intensive diamond research work during recent years in Johannesburg have been of great value to others in adopting more scientific methods of mining and in being able to avail themselves of the facilities offered them for the marketing of their production.

Rising Production

The production of diamonds has been rising steadily during the post-war years. According to official figures for the years from 1952 to 1956, the total world output in carats rose from 18.7 million in 1952 to 23.1 m. in 1956, and since then it has increased further. Of the latter total $7\frac{1}{2}$ m. carats came from countries of the Commonwealth. But this proportion in terms of total caratage gives a misleading impression of the value of the Commonwealth contribution. In the case of gold with a fixed price of 35 dollars an ounce, the value of production can be judged by the number of ounces. Not so with diamonds, where values vary sharply according to quality. Size, shape, colour, purity of the stone, etc., determine the value. The importance of the Commonwealth contribution lies in the fact that it contains a much larger proportion of gem stones than that of non-Commonwealth countries where in most cases there is a preponderance of industrials.

For example, if we take last year's figures for sales effected through the Central Selling Organisation (embracing over 90 per cent of the total world output) we can estimate, in round figures but with a fair degree of accuracy, that out of a sales total of £74.5 m. the Commonwealth contribution to that sum amounted to £50 m. Thus, whereas the Commonwealth supplied only one third of the total caratage, the value in sterling was about two thirds of the whole.

Central Selling

Most of the Commonwealth countries which produce diamonds sell them through the Central Selling Organisation. The only exceptions are India and British Guiana, while the African-mined diamonds in Ghana are sold on the Accra diamond market. The Commonwealth countries which sell through the Central Selling Organisation are South Africa, South West Africa, Tanganyika, Sierra Leone and Ghana (apart from the African-mined production).

From New Commonwealth, January 6, 1958

To deal with the three exceptions first. Up till the 18th century India was the only known source of diamonds. Today they are rarely found in the famous mines of Golconda, and modern diamond activity has moved north to Panna, some 100 miles south of Allahabad. Annual production has been running at 2,000 carats, but reserves are said to be large. India has preferred to seek the help of Russian experts for mechanisation and supply of equipment. Like so much else in India, the diamond mines are to be nationalised. The production is too small to have any effect on the diamond trade.

British Guiana for some years past has been producing something over 30,000 carats annually. The stones are mostly very small; they are found in river beds in remote spots difficult of access and in unhealthy areas and are extracted by primitive methods chiefly by adventurous spirits prepared to face the rigours of life under such conditions.

Ghana

In Ghana diamond production is more or less evenly divided between the British company, Consolidated African Selection Trust, and licensed African diggers, with a small preponderance in favour of the latter who have to sell their diamonds on the Accra Diamond Market set up by the Government in 1954, where the right to purchase is confined to a few firms licensed by the Government. It must be remembered, of course, that by having to remain outside the Central Selling Organisation the African diggers, in the event of a serious diamond recession, would not have the same guarantee for the purchase of their diamonds as is enjoyed by those who prefer to come under the umbrella.

We now come to the other Commonwealth countries which are particularly rich in the quality of the gem stones that they produce and which all combine under six-year contracts to sell their output through the Central Selling Organisation. South Africa must come first, both for reasons of seniority in the diamond world and because most of her mines, unlike those elsewhere, are—with one or two minor exceptions—not alluvial but deep pipe mines of which the most famous are the Kimberley group, the Premier Mine, near Pretoria, and Jagersfontein, in the Orange Free State.

Modern Machinery

In these mines the biggest individual stones have been found, the biggest of all, the Cullinan, in the Premier Mine. The latest modern machinery has been installed in these mines while new scientific methods of diamond recovery have reaped a rich harvest from old tailings left on one side for many years. The production figures for this group of mines, all under the control of De Beers, were in 1956 a little less than 2.25 m. carats. The State alluvial mines in Namaqualand on the coast south of the Orange River where it flows into the Atlantic bring another 100,000 carats to the total production of the Union.

It is just to the north of the State diggings, on the other side of the river, on a bleak and lonely stretch of the Atlantic coast, that gem diamonds of consistently good quality are being mined at the rate of 970,000 carats a year. The alluvial deposits extend for some 150 miles under a heavy overburden of sand, sometimes 70 feet in depth. The area is uninhabited, save for the mining establishment, shut in between the ocean and the mountains which rise steeply. Most of the African workers now come by air from Ovamboland far to the north and live in modern compounds where they are well fed and housed.

Rich Deposits

The Germans had made some progress in prospecting and mining in this colony, but when the war of 1914 came they lost it. After the war the German properties were acquired and incorporated in a new company, Consolidated Diamond Mines of South West Africa, over which the Anglo-American Corporation acquired a controlling interest. Some years later, when the late Sir Ernest Oppenheimer became Chairman of De Beers as well as of Anglo-American, he brought it under the control of De Beers. The diamond deposits are particularly rich in gems of good quality and in this respect are today unrivalled.

It is not, therefore, detracting from the merits of Dr Williamson's mine in Tanganyika to suggest that the adjective 'fabulous' which the press invariably applies to his mine should more properly be applied to Consolidated Diamond Mines. The singular merit of Dr Williamson, a Canadian geologist, is that he himself discovered his mine and has run it ever since. Its present annual output of something over 350,000 carats contains many stones of high quality. Dr Williamson, who is an independent-minded man, has had his differences in the past with the Central Selling Organisation, but in 1956 he entered into a new five-year contract which is running smoothly.

Proceeding up the West coast of Africa beyond South-West Africa, the Belgian Congo and Angola, the two principal diamond areas are Ghana and Sierra Leone. In Ghana Consolidated African Selection Trust, which has had for many years a mining concession from the Government, though never a monopoly as in Sierra Leone, has maintained good relations with the Government and has been able to develop its mining rights without any serious hindrances. Its present production of some 950,000 carats a year consists mainly of industrial stones.

Sierra Leone

In Sierra Leone on the contrary the Selection Trust Company's history has been full of vicissitudes during the last few years. The problem there bristles with difficulties. The Sierra Leone Government before the days of African nationalism granted a monopoly diamond concession to the British company, believing quite rightly that the result would be efficient mining and a steady revenue for the Government. For many years things went smoothly enough. The company mined their lease areas according to plan without attempting to extend operations further afield.

But meanwhile African nationalism had been growing here as elsewhere, and Africans were becoming diamond-conscious. Diamonds were to be found near the surface over extensive areas, and the temptation to mine illicitly became irresistible, especially when there were crafty Lebanese in the offing prepared to buy the illicit stones and get them out of the country by devious routes.

Government Initiative

In this situation the Government took the initiative, and after long discussion the company surrendered its monopoly in return for cash compensation and agreed to confine its operations to two lease areas, while outside these areas the Government offered mining rights to licensed African diggers. At the same time the Government invited the Diamond Corporation to set up buying offices in the country to purchase on the spot the diamonds won by the licensed diggers.

This arrangement worked with a measure of success until last August the Selection Trust's lease area was invaded by a large mob, which had to be turned out by troops as well as police with some difficulty and considerable loss of diamonds. But the problem which still remains unsolved is unlicensed mining and smuggling across the frontier mainly into Liberia. If the Company and the licensed African diggers produce some 1.4 m. carats annually, how much leaves the country illicitly? Nobody knows, but the figure is certainly high.

And now what of the future prospects for diamonds? Since 1950 the diamond trade has been booming and sales have reached new records; in spite of very large capital expenditure on increased production, demand has continued to outstrip supply. It is obvious that these boom conditions may not last, for so much depends on the continued prosperity of the United States which takes more than three-quarters of world production. On the other hand, good use has been made of these prosperous years in building up such formidable financial reserves that those companies which have six-year contracts with the Diamond Corporation can continue mining knowing that their diamonds will be purchased by the Diamond Corporation.

Synthetic Diamonds?

But apart from a general trade recession, about which there is now some speculation, there are other supposed threats to the diamond trade as at present organised which flutter the markets unduly when sudden announcements are made in the United States or in Russia. Up till now the two most powerful countries in the world, the United States and Russia, have had no diamonds of their own. The United States has had to buy them through the Central Selling Organisation, Russia by roundabout methods. It was natural therefore that these two countries should make every effort to manufacture diamonds or to discover natural diamonds in their own territories.

It is too soon as yet to judge what the effects of these very different discoveries may be. The Russians will probably keep us guessing in their usual way about their own discoveries, while in the U.S.A., General Electric may find it a formidable task to produce synthetically, diamonds which can compete in price with the supply of industrial diamonds from the Belgian Congo.

(2) A BUSINESSMAN'S PARLIAMENT

By Lord Tweedsmuir, O.B.E.

Behind its wraps of secrecy, the atomic age has been steadily making progress. It is still worthwhile, and probably for ten years will be worthwhile, to harness the waters of mighty rivers in hydro-electric schemes. But I very much question whether it will be worthwhile after that. And then the synthetic age, with 80 per cent of known synthetics deriving from oil and wood pulp, giving certain countries of the Commonwealth such terrific natural advantages.

And then there is a new problem which has become increasingly apprent in recent years. The old integrated Commonwealth and Empire sought to protect itself as a single unit against world competition. You now find certain countries of the Commonwealth competing so keenly with other countries of the Commonwealth, that one Commonwealth country seeks protection against another for its trade. The day of the nation-state in isolated existence is over. There is a tendency towards larger and larger groupings whether they be political and defensive, like N.A.T.O. and S.E.A.T.O., A.N.Z.U.S., and so many others, but also in commerce—the proposed European Free Trade Area is an example.

Watch-Dogs for Commerce

It is a task of Commonwealth Statesmen, when such things are devised, to see that they do not run counter to the older, deeper loyalties of the Commonwealth family. Now, my father once used a phrase, 'Let no businessman take too narrow a view of his calling'. Anyone who had sat in the Conference at Bloemfontein last month, the one at Invercargill in April or our own Congress in early summer in London, would realise that on such we form a Businessman's Parliament, and as watch-dogs for commerce of the Commonwealth it behoves us to look not just at the ground beneath our feet, but into the distance beyond. After all, if you do take too narrow a view of your calling, you are unlikely to be very successful in it. If you are a businessman who reads only the financial page in the daily newspaper without taking regard to the national and international news on those other pages, you are unlikely to survive for long.

From his Presidential Address to the Federation of Commonwealth and British Empire Chambers of Commerce, November 27, 1957

(3) ISRAEL'S 'A TOWN LIKE DURBAN'

South African architects and town planners will be responsible for a new, scientifically planned garden city in Israel, according to the Johannesburg newspaper, *Dagbreek en Sondagnuus*. The city will rise out of the ruins of the ancient city of Askelon. Its beachfront will be laid out in much the same way as that of Durban and the main streets will all bear South African names. A road circling the city will be called 'South Africa Boulevard' and other streets will be named 'Johannesburg' and 'Cape Town'.

The man with the leading part in the undertaking is 35-year-old Mr Selwyn Lurie, who was born in Durban and recently visited that city.

He is managing director of the Askelon Development Corporation. Two-and-a-half years ago he gave up his accounting business to tackle this project. 'I believe that something is being built here which is really worthwhile', he told the newspaper's correspondent.

From Modern South Africa

(4) COLONIAL STUDENTS IN U.K.

The following table shows the number of students from Colonial territories who are now in this country and in Eire.

	Totals
East and Central Africa	
Aden	53
Somaliland Protectorate...	29
Kenya	678
Northern Rhodesia ...	78
Nyasaland	34
Tanganyika	238
Uganda	418
Zanzibar	98
Total	1,626
West Africa	
Gambia	44
Gold Coast*	846
Nigeria	2,924
Sierra Leone	318
Total	4,132
Far East	
Hong Kong	846
Malaya*	1,335
Singapore	344
Sarawak	44
Brunei	6
North Borneo	13
Total	2,588
Mediterranean	
Cyprus	619
Gibraltar	44
Malta	64
Total	727
West Indies	
Total	3,510
Other Territories	
Falkland Islands	1
Fiji...	20
Mauritius	268
St Helena	6
Seychelles	24
Total	319
GRAND TOTAL ...	12,902

*Became independent in 1957.

Far and away the largest number are engaged in nursing—3,722; and medicine claims another 1,097. The law still attracts a large number—1,252, though it is not quite so popular as it was a few years back. An increasing number of students are taking courses in engineering—1,326, and just over 1,000 are engaged in education and teacher training. Unfortunately, agriculture and its allied subjects, forestry and veterinary science, still fail to attract any great number, there being under 200 students under these headings. Thus it will be many years before colonial territories are independent of overseas recruitment in the staffing of these departments.

From A Monthly Survey of Commonwealth and Colonial Affairs, December 1957

(5) U.K. EMIGRATION TO COMMONWEALTH, 1956

Country	*Total Intake (approx.)*	*Intake from Britain (approx.)*	*Per cent from Britain*
Canada	165,000	50,000	30
Australia ...	124,000	36,000	29
New Zealand ...	23,000	12,500	54
Rhodesias ...	26,000	10,500	40
Totals	338,000	109,000	32

From How Important is the Commonwealth? Commonwealth Migration Council
(See Reference Section, p. 64)

The Purchasing Power Theory

THIS ancient fallacy is resurrected in one form or another every time business activity undergoes a substantial decline. In a highly elaborated version, it gained great popularity during the long depression of the nineteen-thirties in the writings of Lord Keynes and his followers. It last appeared in an aggravated form during the mild recession of 1953 and 1954, when the C.I.O. adopted a resolution declaring that lack of consumers' purchasing power was a basic cause of the downturn, and former President Truman said we must 'raise the standard of living rapidly in order to keep up with our fast-growing productive power. To do this, we must increase consumer purchasing power and then the rest of the economy will automatically grow.'

Purchasing Power—

Few terms are more widely used in current economic discussion than 'purchasing power', and few are more widely misunderstood. What, in reality, is purchasing power? Where does it come from? Do only consumers have it? How can it be maintained?

An understanding of purchasing power is impossible without a grasp of the basic principle that every portion of the money value of every commodity and service produced is income, or purchasing power, to someone. Purchasing power is derived from output and, in the final analysis, is identical with output. It may be consumers' purchasing power in the form of personal income. It may be business purchasing power in the form of net profit after taxes. It may be governmental purchasing power in the form of tax revenue. In any case, it is purchasing power. Business firms and governmental agencies possess it and use it as truly as do individual consumers.

—Automatically Maintained

It follows that purchasing power is automatically maintained as long as output is maintained. Goods cannot accumulate as the result of a deficiency of purchasing power. The wherewithal to purchase the total output is always and necessarily present, if the holders of the purchasing power choose to use it. When goods remain unsold, it is not because there is a deficiency of purchasing power but because people do not use the purchasing power they have. Either the things produced are not the things wanted, or the prices are not right, or consumers and investors are alarmed and hoard their money. When such a situation arises, the solution does not lie in creating new purchasing power but in adjusting production to the needs of the market.

Wages as Costs

The exclusive emphasis upon wages as a source of purchasing power is a fallacy fatal to clear economic thinking. Wage income is, of course, a form of purchasing power, like any other type of income. To the managers who make business decisions and create jobs, however, wages are primarily costs. At a time when cost-price relationships are already tending to make it unprofitable for business concerns to maintain and expand operations and thus to create jobs, nothing could be more short-sighted than to aggravate the difficulty by insisting upon a further increase in the cost of employment.

Spokesmen for the working man have always been prone to quarrel with the employer's profits. They have never been able to reconcile themselves to the fact that those profits are really the working man's best friend. It is the prospect of profits that creates the job, and it is the realisation of profits that maintains the job. When profits are ample and demand is abundant, the attack on profits tends to result in inflationary price increases, with no real gain to labour. When profits are squeezed and demand is faltering, the attack becomes a formula for unemployment.

From The Guaranty Survey, January 1958

PURCHASING POWER OF THE £ STERLING BASED ON OCTOBER, 1951—20s.

	1951	1952	1953	1954	1955	1956	1957
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
January		19 5	18 7	18 4	17 8	16 10	16 1
February		19 5	18 7	18 5	17 8	16 10	16 1
March		19 4	18 5	18 5	17 8	16 7	16 2
April		19 0	18 3	18 2	17 7	16 4	16 1
May		19 0	18 4	18 3	17 7	16 5	16 1
June		18 8	18 3	18 1	17 3	16 5	15 11
July		18 9	18 3	17 10	17 2	16 6	15 9
August		18 10	18 4	17 11	17 3	16 5	15 9
September		18 10	18 5	18 0	17 2	16 5	15 10
October	20 0	18 8	18 5	17 11	17 0	16 4	
November	19 11	18 9	18 4	17 10	16 9	16 3	
December	19 9	18 7	18 5	17 8	16 9	16 3	

The above figures are based wholly on the index of retail prices compiled by the Ministry of Labour.

From 'Hansard'

Off-shore Whaling

ALTHOUGH South Africa no longer sends expeditions into the Antarctic to hunt whales, the off-shore whaling operations which take place off the Natal and Western Cape coasts will nevertheless still provide the industry with a fairly substantial annual catch.

Whales were first observed at the Cape by Jan van Riebeeck who, shortly after his arrival there, reported their presence in Table Bay and, after representations were made by him to his employers, a whaling station was established. From that time onwards the industry has passed through periods of both neglect and prosperity. Initially operations were confined to coastal waters, until it was eventually decided also to participate in the Antarctic expeditions.

The Antarctic, the richest whaling field in the world, lies on the threshold of South Africa. Towards the end of October each year, whaling vessels from many countries gather at Cape Town to take on final supplies before their departure southwards. The Antarctic whaling season commences in January, and extends to March or possibly the beginning of April each year. Growing concern has, however, been expressed over the declining whale population in this field due to the large number caught each year, and the intake of whales is now controlled in these waters.

A recent report states that an agreement between various whaling interests has been reached limiting the number of whale catchers which will be permitted to operate in the Antarctic during the forthcoming season to the following: Norway 95, Japan 68, Great Britain 37 and Holland 14. It should be noted that the U.S.S.R. has declined to participate in the above voluntary catcher limitation scheme.

The maximum number of blue units that may be taken this coming season (which will commence in January, 1958) has been fixed at 14,500. A blue unit is calculated on the basis that 1 blue whale unit equals 1 blue whale, or 2 fin whales, or 2½ humpback whales, or 6 sei whales.

Off-shore Only Now

With the sale of the factory ship, *Abraham Larsen*, to Japanese interests, South Africa has withdrawn from Antarctic whaling and is now concentrating on off-shore operations. It is reported that coastal whaling is not regarded as a threat to the 'local' whale population, in contrast to whaling in the open sea: it is stated that by comparison coastal catches are relatively small, and there is no indication that conservation restrictions are to be applied to this sphere.

There are two coastal whaling stations in operation at present, the larger being situated at Durban. The Donkergat station at Saldanha Bay closed down in 1953, but reopened this year, and is once again actively participating in off-shore operations.

The off-shore season commences in April and extends to about October, with the catch usually well over the 1,000 mark. With two stations now engaged in this industry, it has been estimated that the catch for the current season will exceed 2,000 whales.

Five species of whale are commonly encountered off the South African coast, namely, the humpback, fin, blue, sei, sperm. Restrictions have been imposed governing the minimum size of whales which may be caught, and those under the prescribed length must be left undisturbed. The average weight of whales actually caught varies between 30 and 70 tons.

Proceeds

Apart from oil, several valuable by-products are obtained from the whale, and there is virtually no wastage. From the sperm whale comes ambergris, a costly wax which is dissolved in alcohol to yield a base for perfume. Another by-product, spermacetti, a white solid, is used in dressing textiles and the manufacture of cosmetics and ointments. On account of its freedom from gumming, sperm oil, a pale yellow liquid, is used as a lubricant for spindles and light machines. Whale oil is used in the production of margarine, while vitamin A is extracted from the livers. Livestock feed is manufactured from the meat and bones.

During the 1957 season, which closed during the third week in October, the Durban shore station handled 1,606 whales from which were produced 10,689 tons of whale oil and sperm oil (six barrels equal approximately 1 ton of oil) valued at about £875,000. This records a substantial increase over figures for previous years. Operations for this season ended at Donkergat on September 29, 1957, with a total yield of 888 whales from the four catchers active in that area.

Dr C. von Bonde, a former member of the International Whaling Commission, has stated that there is no doubt that the whaling industry of the Union is still very valuable, even though the abundance of whales in South African waters, as recorded by van Riebeeck, has materially declined with the effluxion of time, as has been the case in the Antarctic.

From Barclays Overseas Review, November 1957

South African Imports

	1950	1951	1952	1953	1954	1955	1956	1957*
Total (£m.)†	305	468	418	427	439	481	495	547‡
From (%)								
U.K.	41½	35½	35	38	35	34½	32	32
Dollar Area	20½	24	26	23	24	25	25	24
W. Germany	2½	3½	4	6	5	6	6½	7½
Other O.E.E.C. ...	8½	13	12	12	12	11½	12	12½
Japan	2½	2½	1½	2	2½	2	2½	3
Rest	24½	21½	21½	19	21½	20	22	21

*Jan.—Sept. ‡annual rate.

†including S.W. Africa and the Protectorates.

From Bulletin for Industry, December 1957

Rural Economy

(1) WHICH ROAD TO SURVIVAL?

BY JORIAN JENKS

FEBRUARY is the month of the Annual Price Reviews, when representatives of the Government spend long hours in bargaining sessions—nominally 'consultations'—with those of the farmers. The outcome, whether or not it is 'agreed', determines what changes are to be made in the prices guaranteed to producers for agricultural, but not horticultural, products.

For months past the Farmers' Unions have been received strongly-worded resolutions from their county branches urging them to make a firm stand, especially on the burning issue of 'under-recoupment'. This is the process by which the Government adds to the guaranteed prices only a *part* of the additional costs which have been incurred by producers since the last Review and over which they have no control—wages, for instance, which are fixed by a statutory Board and are estimated to have risen by £14½ million a year, interest rates, which are said to be costing agriculture an additional £4 to £5 million a year, transport charges, electricity costs and so on. This is a species of 'cost-minus' reckoning, the minus factor being the amount by which the Government presumes that farmers have been making themselves more 'technically efficient'. One cannot help wondering how the Trades Unions would react to a claim that a rise in the cost of living need only partly be reflected in wage increases because their members' wives were becoming more efficient shoppers!

Falling Incomes

It is estimated that the total of 'under-recoupment' since 1948 amounts to no less than £135 million. Farmers not unnaturally hold this practice to be largely responsible for the fact that their net incomes, as calculated for the purposes of these Reviews, have fallen by 17 per cent in the last five years, while industrial profits and wages have been rising. They feel that they are being unjustly penalised for their efforts in achieving their allotted target of a total output 60 per cent above pre-war, and an increase in productivity per worker which puts most industries to shame.

The 1957 Agriculture Act, it is true, underpins that of 1947 to the extent of limiting to 4 per cent the reduction that can be made at any Review of the guaranteed price for any commodity, with an overall limit of 2½ per cent. But since the Government, for political reasons, may well feel obliged to reduce Exchequer liabilities somehow, it is likely to set fairly low ceilings on the quantity of commodity which can qualify for the full guarantee—especially in the case of products such as milk, eggs and pig-meat, supplies of which now tend to be more than adequate.

Restricting Enterprise

It seems unfortunate, to say the least of it, that a Government professing to enlarge opportunities for private enterprise should thus feel compelled to restrict opportunities for agricultural enterprise, which is in some respects the most private of all. But as 'Rural Economy' pointed out at the time, a policy which sought to work guaranteed prices and open markets in double harness was bound to find such a team hard to manage. And so it has turned out. Despite the disbursement of around £250 million a year in production grants and deficiency payments, farmers' earnings have been falling and in some cases are now estimated to be below minimum farm wage rates. And despite the advantages claimed for competitive trading—which should have been enhanced by the substantial fall in import prices—consumers have had to pay more for their food.

Farmers have not been slow to realise that patriotism is no longer enough and that they must adapt themselves to what are officially described as 'competitive conditions'. But how are they to do this? There would seem to be two alternative routes by which they can pursue the search for survival.

The first is the 'increasing technical efficiency' about which they hear so much from their official advisers. Under certain circumstances, such a policy can be the right one. Better planning, better management, better equipment will enable the same number of men to get through more work. Better crop varieties, better manuring, better-bred livestock will result in higher yields per acre and per animal. And the combined increase in productivity may well increase net earnings—provided a remunerative market exists for the additional produce.

Additional Expenditure

But there's the rub. The pursuit of greater productive efficiency involves, in nearly every case, additional expenditure. At the last Price Review, it was estimated by the Ministry of Agriculture that U.K. farmers would spend in 1956-57, some £198½ million on the operation and upkeep of machinery, £364½ million of feeding-stuffs, and £86½ million on fertilisers, a total of £649½ million on these three items alone as against £591 million in 1955-56. Each increase in expenditure, to be profitable, has to be at least covered by increased sales; and if, as recent experience plainly indicates (and Government policy confirms), every addition to output is going to reduce the average price received for the whole output, where is the gain to the farmer?

According to classical theory, and on the analogy of industrial mass-production economics, expanding output at falling prices stimulates consumer demand and thus maintains or increases net earnings. But in agriculture it seldom happens just like that.

For one thing, the law of diminishing returns comes into play. Beyond a certain point, each additional hundredweight of grain per acre, or gallon of milk per cow, costs more to produce. It is, moreover, obtained at increasing risk, since forcing methods often mean greater susceptibility to disease.

For another thing, consumers do not necessarily buy more of a food because its price has fallen; they have settled food habits and limited stomach capacity, and it is doubtful if there is today any serious restriction of consumption on grounds of price.

Nor is there any question of displacing imports by underselling them. Imports are landed here to be sold, whatever the price. While persistently unprofitable prices might in the long run induce some oversea suppliers to seek alternative outlets, such diversions are unlikely to be very large so long as Britain remains the biggest market for farm produce.

Increasing technical efficiency, therefore, will not increase net earnings for farmers as a whole unless it is associated with a reduction in farm expenditure as a whole, not just production costs per unit of produce.

'Keep the Barn Door Shut'

When the writer was farming in the really hard times a quarter of a century or more ago, the advice commonly given was: 'Keep the barn door shut'. The barn door being the traditional point for loading corn and other farm produce, and for unloading feeding-stuffs, fertilisers and other purchases, the implication was obvious. Why sell stuff below cost in order to buy other stuff which one cannot afford? Much better to use it at home.

Even today, most farms can be much more nearly self-contained than is generally realised. Given time in which to build up the natural fertility of his land and thrifty strains of livestock, a farmer consistently practising such a policy can cut his outgoings very considerably and still have quite a respectable surplus to sell. His output figures will not be nearly so spectacular as those of his neighbour who spends freely on the latest aids to higher productivity, but he will be in a much safer and more comfortable position to ride out adverse economic weather.

Milk Yields

Let us take for example a branch of farming which contributes over a quarter of agriculture's gross earnings, namely milk. No branch can show a steadier advance in productivity. By systematic breeding and more intensive feeding, yields both per cow and per acre have been raised by some 20 to 25 per cent since the war. But sales of milk in liquid form have shown little response to publicity campaigns, with the result that an increasing proportion of the rising output has had to be used for making butter and cheese, the prices of which are now so low as to cause serious losses even to highly efficient oversea producers; hence the big drop in New Zealand's sterling balance and her decision to clamp down on imports from Britain.

Here the official price brake on production has already been applied. But it has not so far reduced the number of cows kept, nor is it likely to, because milk is the main source of income to so many small and medium-sized farmers. What it may well do is to bring about changes in production methods.

Some milk-producers, it is true, may try to offset falling prices by aiming at still higher productivity. But one of the biggest and most enterprising dairy-farmers has already cut out most of the concentrated feeding-stuffs he used to buy, and quite a number of others are feeling their way into 'all bulk' feeding from farm resources. The cow, after all, is a ruminant animal, well equipped by Nature to digest large quantities of bulky feed, and who is to say that a herd giving a steady annual average of 600 gallons of milk per cow is less efficiently managed than one achieving an average of 1,000 gallons by dint of expensive feeding and, perhaps, fairly frequent assistance from the veterinary profession?

(2) INFLATION AND THE FARMER

AGRICULTURE, far from contributing to inflation, has been called upon to play a major role in the battle against it—and at the same time the farmer has been one of the worst sufferers from its effects. It is high time the rest of the community recognised this fact.

We have reached the position, in fact, where the pace of the treadmill is proving too much for the farmer. Instead of just managing to hold his own he is being forced back. His real income is being drained away by inflation faster than he can make it good.

More Capital Needed

The crucial task for British farming in the coming years is to increase its productivity. In order to do this there must be substantial investment by way of new equipment and in reorganisation generally. But with a falling real income where is this additional investment capital to come from? In 1950 the then Minister of Agriculture, Mr Tom Williams, estimated that about 6s. 9d. of every £ of the farmer's income was ploughed back. It is obvious that with the continuous decline in the real income of farming since that time the money available today for reinvestment has fallen well below Mr Williams's estimate.

The farmers of Britain are, as ever, only too willing to work with all their strength and ingenuity in the common interest—to safeguard the nation's food supply, and help beat the balance of payments bogy with ever-increasing efficiency. But facts must be faced—and soon. They cannot go on with their nationally vital task unless real income begins to rise.

Extract from Editorial, The British Farmer, January 4, 1958

(3) AUSTRALIA'S OVERSEA TRADE

FARMING remains crucial for Australia's oversea trade and despite the growth of manufacturing, rural production has accounted for over 80 per cent of total exports for many years. Minerals and manufactured goods have been increasing their contribution, and from the viewpoint of the balance of oversea trade, they are contributing also by producing replacements for imports. However, manufacturers' needs for imported capital goods and materials, together with other necessary imports, appear likely to keep Australian import requirements close to their present proportion of total Australian expenditure.

Besides providing these vital oversea currency receipts, farming is meeting the sharply increasing requirements of the home market. It seems that, although manufacturing is playing its increasingly important role as an exporter, more must be looked for from traditional producers on the farm. In spite of recent market weakness, there appear to be real incentives for greater farm production, and it is of the utmost importance that these should not be offset by national economic policies which raise costs in relation to those of other countries supplying world markets with farm produce.

From an article, 'Down on the Farm', A.N.Z. Quarterly Survey, January 1958

(4) WHEAT SUPPLIES IN THE U.K.

STATISTICS published by the Commonwealth Economic Committee show that in the year July 1956 to June 1957, supplies of home-produced wheat increased by about a quarter of a million tons, and imports were down by about the same amount. Home production, at 2,845 tons, accounted for just short of 40 per cent of the total supplies. Rather more than a quarter of the total supplies went into feeding-stuffs.

What is of particular—but not altogether welcome—interest, is that rather more than half of the home-produced crop was used for feed, and rather less than half for human food. Perhaps no particular significance should be attached to that, since the harvest of '56 was a very abnormal one.

From Essex Farmers' Journal, December 1957

(5) MISUSED MANPOWER

THE U.S. farm population, despite a sharp drop in the past twenty years, has remained well above levels necessary to meet the nation's food and fibre needs. High price supports have encouraged inefficient operators to stay on farms and produce unwanted commodities—many of which wound up in Government storage bins.

If these farm workers had taken jobs in industry and trade, shortages of skilled help and common labour, a chronic problem over the past ten years, would have been eased. Farm programmes have impeded the most productive use of our manpower resources.

The manpower problem will become even more acute in the years ahead; availability of skilled labour will be a limiting factor in the rate of our economic growth. Labour Secretary James P. Mitchell estimated in November that it will be necessary to recruit twenty-two million new workers by 1965. Discussing the urgent need for encouraging farm youths to take off-farm employment, he added:

> Considering the agricultural manpower outlook, shouldn't rural young people have information on industry and commerce? Is the extension service of the Department of Agriculture giving it to young people? Do rural youth know there may be no jobs facing them in farm work?

A catchy tune around World War I was entitled, *How 'Ya Gonna Keep 'Em Down on the Farm After They've Seen Paree?* Tin Pan Alley today might more appropriately tag the number, *How 'Ya Gonna Get 'Em Off the Farm Until You End the Subsidee?*

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

The Meaning of Automation

BY A. W. P. MACKINTOSH

An engineer, now working on his own ideas of automation applied to textile dyeing, explains very simply what the word Automation means and what its implications are to us all. The new machines can give us a new age of abundance, peace and leisure, but only if the money system is properly adjusted to reflect real wealth

AUTOMATION means the tending of machines by other machines. It is developing at an ever-increasing rate and will affect all of us very soon.

For many years monetary reformers have rightly contended that industry is unable to distribute enough purchasing power to liquidate the prices of the goods which it produces, because the money system does not distribute the wages of the machine. This fault is going to be very much accentuated as a result of the new technical developments.

Those who have seen Charles Chaplin's film *Modern Times* will remember the soul-destroying effect of following out Henry Ford's principal of 'one man, one operation', where the conveyor on the assembly line moved irresistibly, implacably and impersonally forward and the human being had to keep up with it or be thrown out on to the streets. Inventors have been applying themselves to this problem and have said in effect: 'If the work can be broken down into operations so simple that completely unskilled persons can do them, then surely pieces of mechanism can do them?' And that is precisely what is now happening.

Workers and thinkers in this field of automatic processing have been greatly helped by developments which took place during the last war in electronics—particularly through the use of radar.

The Computer

Most people are familiar with a child's toy in the form of a framework with wires on which beads are strung. This is a counting frame, or abacus, which in eastern countries is still used in bazaars, and even in banks, for calculating. The top string of beads represents the units—1, 2, 3, 4, 5, etc., the next row the tens—10, 20, 30, 40, 50, etc., the next the hundreds and so on. On this principle modern calculating and book-keeping machines work, and, in a slightly different way, speedometers and automatic telephones too. The basic arithmetic of addition and subtraction is used, and multiplication and division are derived from these.

The beads have been replaced by very small electronic valves, or the new transistors, and the calculation takes place at the speed of light. This is the basic principle of what is called the computer, or, in its more elaborate form, the 'electric brain'.

The Control Card

Working in conjunction with the computer is another piece of mechanism with which many people will

From The Sun, November-December 1957

be familiar—particularly those who have some connection with the textile trade. It is a development of the Jacquard card which is used to make the pattern on weaving looms, and on knitting machines. These are cards in which holes are punched. The cards are arranged in an endless chain. The holes engage with the mechanism of the machine and highly complicated patterns are so made. Now it is possible to extract the mathematics, say, of a machine drawing, and transfer these on to a metal strip which corresponds to a Jacquard card. These figures are set out in a certain order; then a girl can—by using a special mechanically operated typewriter—punch holes in this metal strip. This strip then controls the computer.

The electrical impulses which go through the computer are of quite low power but are amplified, and instructions are passed on to the next piece of mechanism. This also will be familiar to many people—particularly those who have driven heavy lorries. It is a servo-mechanism as used on a heavy vehicle when quite a gentle pressure applied to the foot brake pedal is transformed by the engine into a very considerable pressure on the brake drums. The subsidiary mechanisms, using hydraulic pressure or air pressure, can be controlled by the master instrument—the computer.

The Transfer Machine

That is the automatic part of automation. The motion part is carried out by mechanical lifting devices and conveyors called transfer machines.

The new thing about automation is the synchronising and integrating of what are more or less familiar mechanisms into one continuous process. It is a mental approach to production as much as it is a technique.

The result is that you can have such apparently fantastic things done as putting a rough motor engine casting in at one end of a set of machines and—without anyone touching the controls—taking the casting out of the other end after ten minutes, completely finished. In the Ford works at Detroit in America there is a line of machines 1500 feet long—more than quarter of a mile—on which not one human operator works.

The Implications

A story is told about Walter Reuther, the American Automobile Workers' Union leader. With an official of Fords he was looking down at a long line of automatic machines. The Ford official said: 'You are going to have a hard job to collect union dues from those guys!' Reuther replied: 'And you are going to have a hard job selling Ford cars to those guys!'

Now what does automation mean to you and me? It means that human beings are going to be progressively relieved from a lot of the uninteresting and repetitive types of work. We are going to be released from drudgery and we are going to be able to have wealth and material things undreamed of in the past. But best of all we are going to be set free to do much more interesting things than we have had to do in the past. We shall have greater leisure, greater freedom—freedom from want and freedom from dull toil, freedom from anxiety, fear and insecurity. Greater harmony will be created between people and nations. Human dignity will return.

But we shall achieve those desirable ends only if we understand and adjust the money system. The money system is a human institution which came into being in the days of scarcity and it is still operated on its original principles. It must be brought up-to-date and made to work in relation to the realities of our times. What is physically possible can and must be made financially possible and it is up to you and me to see that the money system is adjusted accordingly. Each one of us will have to be given a share of the wages of the machine over and above what we may earn. We shall have to form the Shareholder State.

The World's Most Crowded Roads

The following figures are taken from 'Basic Road Statistics', published by the British Road Federation

NOT a mile has been added to Britain's trunk road system (8,270 miles) since 1954; but the number of motor vehicles has increased by more than one million (from 5.770,000 to 6,920,000 at September 1956. Today—October 1957—there are at least 7¼ million).

The Chancellor's effort to break even on Motor Fuel Tax by the imposition of the 'Suez shilling' resulted in receipts from this tax rising by 11½ million over the previous year (£280.5 million in 1956/7 against £286.9 million in 1955/56). Total motor taxation, too, in 1956/7 (motor fuel tax, purchase tax and vehicle licence duties) was the highest ever at £487.9 million.

Total road expenditure at £110 million in 1955/56 included £13 million for new roads compared with £17 million in 1939 out of a total road expenditure then of £58 million. At a modest estimate the 1939 figures at today's prices would be £50 million out of a total of £150 million.

Britain's roads are still the most crowded in the world (36.6 vehicles per mile—one every 20 yards).

Total road casualties in 1956 were 267,960, including 5,367 killed.

More than 2 million workers are employed by road transport.

From Highway Times, December 1957

CORRECTION

Supplies and Prices of Home-Produced Beef—United Kingdom. U.K. Imports of Beef.

WE are sorry that the tables under the above headings on pages 21 and 22 of the January issue were wrongly attributed to *Barclay's Bank Review*. These extracts were taken from an article entitled 'Beef Supplies and Prices in the United Kingdom since De-control' contributed by R. A. Macness to the November 1957 issue of the *Westminster Bank Review*. The first figure for July should be '81.0' not 80.0.

Reader's Commentary

BANK RATE AS A MONETARY WEAPON

FROM ERNEST S. NAPIER, 9 Abinger Road, Bedford Park, W.4.

MR Niall MacDermot's admirable address to the Economic Research Council regrettably omits to deal with the origins of the Treasury bill without which the historical background is hardly complete.

It is a fact that when the United Kingdom *de facto*, if not yet *de jure*, departed from the orthodox gold standard on the outbreak of the first world war (July 31, 1914), our bank notes in issue, except for the £11 millions of Government debt to the Bank of England, were fully covered by gold which also circulated in coin alongside the note issue. Although the Treasury was authorised at that time to invite tenders for ninety-day Treasury bills to meet purely seasonal shortfalls in revenue, no such bills were outstanding on July 31, 1914. It follows that bank deposits in 1914 represented *genuine* savings and that bank overdrafts and acceptances—the latter then of much heavier volume than the former—were only created in respect of *genuine* deposits and the value of actual domestic and overseas trade.

As a result of two world wars, our shrunken gold (and gold equivalent, e.g. dollar) reserves represent today barely four shillings in the £ of our commitments to the sterling area countries, while both the circulation of bank notes and outstanding bank credit are covered almost entirely by the nation's I.O.U.s in the form of Treasury bills. Putting the floating debt (including a negligible amount of departmental Ways and Means advances) at £5,000 millions in round figures, it may be safely asserted that the 'nigger in the woodpile' is the unwieldy—and unyielding—volume of our floating and unfunded debt.

While the volume of floating debt at present outstanding is somewhat below peak level, it is an undisputed fact that no consistent long-term effort has been made to fund it. Indeed, when a medium-term issue matured recently, the Treasury redeemed the excess of that issue over 'departmental' holdings out of the proceeds of additional Treasury bills, rather than admit tacitly what long-term funding with a 7 per cent bank rate costs.

The fundamental conclusions stated or implied by Mr MacDermot clearly are:

(1) Bank credit is controllable by the Treasury under Section 4 of the Bank of England Act, 1946;

(2) High bank rate definitely encourages the creation of additional bank credit—in the face of any Treasury directives to the Banks to ration advances to nationalised industries and the public—because the largely countervailing bank and money market holdings of treasury bills (say £2,000 millions) rated as 'quick' assets on account of their eligibility to re-discounting with the Bank of England, yield a return only fractionally below bank rate. A contributory factor in the banks' urge to increase their profits is, of course, the losses they suffered on their holdings of 'long-term' gilt-edged stocks. As our banks are commercial institutions intended to make profits for their proprietors and to accumulate reserves, it would be foolish even for the Bourbons in the Treasury to expect them, in terms of more or less 'voluntary' directives, to forgo profits and weaken their balance-sheets and hidden reserves.

The third fundamental conclusion reached by Mr MacDermot is implicit in his question: 'Is a high bank rate really necessary?' In view of conclusion (1) the answer is in the negative; while in the light of conclusion (2)—fortified by the knowledge that large concerns with substantial internal reserves are practically self-financing and that in remaining industry and distributive trade the 'cost-plus' war-time mentality still holds sway—high bank rate as a means to keeping down bank credit volume is self-defeating and in fact inflationary.

It is indeed time that we looked closely at the weapons in our monetary armoury, replacing the arrow of bank rate and the small-arms of pious directives by more realistic procedures; among these a substantial reduction in the floating debt, reflecting pure war-time expenditure and not genuine savings, should be thoroughly examined. A substantial long-term funding loan might be a possible solution; it should be redeemable at par after the first five years and bear interest at a rate related to the mean yield of a select range of existing long-term issues as an insurance against *market price* depreciation. Its success would be enhanced by assessing compulsory subscriptions on company reserves in excess of a statutory minimum, and the war-time formula of arriving at liability to Excess Profits Tax offers here a distinct pointer.

Colonialism

I MAKE no plea for a restoration of Western empire. It is time for the captains and the kings to depart, time for the peoples of the ex-colonial areas to assume control of their own destinies. I cheer the manner in which the British have faced this fact. Indeed, a good case could be made for the proposition that the British have proved themselves the most effective anti-colonialists of all. And just at the moment when a resurgent Russian imperialism rises to high tide!

But I do insist upon a recognition by all of us, and by my countrymen especially, that the end of empires does not mean automatically an end to the problems with which empires coped. The problems remain, some of them vastly increased in difficulty and danger by the withdrawal of imperial power. Surely this must become obvious to anyone who makes even a swift and casual survey of the situation now prevailing in the ex-colonial areas, a year after Suez.

Extract from 'The Sequel to Colonialism', by Adlai Stevenson. 'Optima', December 1957

About That Printing Press

BY JACQUES DUBOIS

IN PRINCIPLE, we make wine from grapes. The more grapes there are the more wine we make. But if the Government uproots vines there are less grapes, and we make less wine, which, because it is rarer, costs more. As the uprooting of vines and the distilling of stocks has to be paid for, taxes go up each time the Government 'cleans up' a market. They also go up on account of export subsidies, the war in Algeria, etc. Now, taxes are reflected, for the most part, in prices, so you may feel there is an explanation for the continued cost of living.

Undeceive yourself at once, because you are completely wrong: if everything is going up *it is because inflation is at our doors*! Yes, inflation—since it must be called by its proper name! If life is getting dearer and dearer it is because consumers have too much money! All the distinguished economists explain it, and politicians declare that the printing press is always printing more notes: it was recently called upon to print them for 350 milliards of francs at one go. And a worthy senator denounces from the rooftops these new notes which we have manufactured and which we shall go on making soon by hundreds of milliards to cope with Reconstruction. In short, we are rushing towards a new edition of the disaster at Weimar in which, as you may remember, a barrow-load of marks was not enough to fill a German housewife's shopping basket.

We have to be lacking in goods for sale to realise that Frenchmen have too much money, don't we? It is in fact the lack of goods which provokes competition between purchasers and sends prices up; don't you agree?

Then why do our producers spend milliards on advertisement? Do these lunatics think they can sell goods that they have not got?

If Frenchmen have too much money, why are there these unreasonable claims by workers and civil servants? Why do they go on strike? If there is too much money in circulation, why is the Treasury always empty? Why do industrialists and merchants complain of lack of capital? Why do the State railways, the Underground and 'bus services always have a deficit? Why are local councils obliged, for lack of funds, to postpone what are often the most urgently needed public works?

If we have too much money, why is there a collection every Sunday for the old people or for the old soldiers, or for the blind, or for poor children, or for holiday homes, or for the Cancer Campaign, or for Anti-tuberculosis stamps, etc., etc.? Really!—while Frenchmen have too much money, the National Lottery has just created another 300 millionaires!

Translated extract from an article in 'Le Grande Relève, November 23, 1957

World Pig Iron Output

	1957(a) *Tons*	1956 *Tons*	1955 *Tons*	1954 *Tons*	1937 *Tons*
U.S.A.	73.844.000	67.824.000	69.465.025	53,398,425	37,127,000
Canada	3.481.000	3.192.000	2.869.000	2,062,300	979,000
Great Britain	14.185.000	13,176,000	12,470.000	11,883,400	8,493,000
France	11.531.000	11.304,000	10.890.000	8,781,340	7,787,000
Saar	3.084.000	2.988,000	2,827,590	2,452,410	2,184,000
Belgium	5.343.000	5.664,000	5,293,750	4,542,410	3,743,000
Luxemburg	3.316.000	3,264,000	3.029.910	2,750,990	2 473,000
Italy	2,072,000	1,848,000	1,703,035	1,321,965	849,000
Spain	876,000	912,000	976,445	891,590	126,000
Sweden	1,088,000	1,140,000	1,215,890	983,320	682,000
Netherlands	681,000	648,000	658,420	599,600	300,000
Germany (Western Zone)	17,690,000	17,304,000	16 277,050	12,356 340	13,519,000
Germany (Soviet Zone)...	1,670,000	1.574,000	1,488 930	1,279,730	
Austria	1,896,000	1,716,000	1,481,560	1,329,725	383,000
Czechoslovakia	3,600,000	3,282,000	2,922,860	2,734,285	1,648,000
Poland	3,746,000	3,506,000	3,056,430	2,615,250	712,000
Hungary	900,000	744,000	839,730	827,945	350,000
U.S.S.R.	38,100,000	35.754,000	32.705,355	29,464,285	14,288,000
Japan	6,735,000	5,892,000	5.134,000	4,526,010	2,758,000
India	1,888,000	1.956,000	1,894.000	1,962.000	1,629,000
Australia	2.175,000	2.076,000	1,794.000	1,860,000	914,000
South Africa	1.316,000	1,284,000	1,239.000	1,178,000	270,000
Brazil	1.152,000	1,140,000	1.054.820	1,069,455	96,000
China	4,674,000	4,630,000	3,370,000	3,000,000	—
Roumania	675,000	583,000	564,730	424,285	—
Miscellaneous	2,320,000	2,140,000	1,924,110	1,540,180	534,000
Totals ...	208,038.000	195.541,000	187,145,640	155,835,240	101,844,000

(*a*) Estimated.

From William Jacks & Company

Consumers' Changing Habits

THE table shows the rapid rise in the number of television and radio sets and various domestic electrical appliances delivered to or sold on the home market between 1953 and 1955-56:

(Monthly Averages, 000)

	1953	1955-56	% *rise*
Television sets	95.4	130.0	36
Radio sets	69.0	94.0	36
Radiograms	12.0	25.0	108
Vacuum cleaners	49.3	77.0	.56
Floor polishers	1.5	1.6	7
Washing machines	28.4	45.8	61
Electric irons	123.0	161.5	31
Toasters	10.5	13.8	31
Dry shavers	31.9	64.8	103

From Bulletin for Industry, December 1957

Digest Reviews

'MR FRANCE'

The Strange History of Pierre Mendès-France and the Great Conflict over French North Africa. By Alexander Werth. (*Barrie*; 30*s*.)

As always, Mr Werth describes in fascinating detail the intricacies of French politics but one is left at the end of this book eager to know more than he tells us of his hero. 'Mr France' not only impressed Sir Winston Churchill but caught the imagination of the British people, with whom he had fought. He is mistrusted and hated by many Frenchmen; yet what a fruitful patriotic partnership there might have been between such as Mendès-France and the General who abandoned his political struggle so soon after the Liberation. Can he yet aspire to become the Disraeli of the Fourth Republic?

This somewhat oddly constructed book concentrates on France's North African problem, so vital to free Europe.

AGAINST IMPERIALISM

The Crisis of Britain and the British Empire. By R. Palme Dutt. New and revised edition. 1957. (*Lawrence and Wishart*; 30*s*.)

This is the red-coloured story of a Decline and Fall devoutly wished by the Marxists. Unlike the pundits of the Kremlin, said by some to be benefiting by the liberal education of one or other of two angry young men from the Foreign Office, the veteran theoretician of the Communist Party of Great Britain retains the old vituperative jargon of Marxist polemic. Mr Dutt's analysis of the American offensive against the European empires and the extent of U.S. control over allied countries will be studied with advantage by many who will reject Mr Dutt's distortion of British imperial history. He prefers the word 'Empire' to the word 'Commonwealth', not for romantic but for propaganda reasons.

There is a mass of documentation but Britain and France are charged with 'collusion' with Israel in her invasion of Sinai without any evidence being produced.

FIRST TIME UNLUCKY

The First Labour Government 1924. By Richard W. Lyman. (*Chapman and Hall*; 25*s*.)

Very moderate and respectable they look in the photograph which forms the frontispiece—and, despite proletarian criticism, they wore Court dress. Yet some suspected them of Bolshevism and the Zinoviev letter helped to destroy their brief minority Administration.

The story is told well in a transatlantic study (the author is Assistant Professor of History at Washington University, St Louis) which is readable as well as thorough, but not a great deal of new material is added to the history of the time.

TRADE AND FLAGS

The Royal African Company. By K. G. Davies. (*Longmans*; 42*s*.)
Profit and Power: A Study of England and the Dutch Wars. By Charles Wilson. (*Longmans*; 25*s*.)

In the seventeenth century Portuguese, French, Dutch, English Swedes, Danes, Germans and Scots staked claims and competed in the African trade. Trade led and the flag followed. As in other parts of the British dominions, an incorporated joint stock company played an imperial part.

Like the Hudson's Bay and East India Companies, the Royal African was a great monopoly and Mr Davies (of New College, Oxford) considers the merits of such concerns in comparison with those of smaller undertakings. His is a work of scholarship and distinction but the horror and romance of the African trade in slaves, spices and other precious commodities hardly appears. Perhaps, however, only one who knows something of the Gambia can imagine the heroism, the disease and discomfort involved in what is here described in a few terse words:

> 'An island in the river, given the name of James Island, was occupied and fortified.'

The James Island story receives other brief mention in *Profit and Power*, which also brings in other aspects of the maritime and commercial rivalries of the seventeenth-century Europeans.

The author of *Anglo-Dutch Commerce and Finance in the 18th Century* and *Holland and Britain* describes what were for him wars of tradesmen —wars for 'mercantilism', wars to assert English sovereignty against the economic influence of a Holland which, like modern Britain, was prosperous but precarious.

Mr Wilson (of Jesus, Oxford) has had naval experience and has used for this interesting study Dutch and other Continental, as well as English, sources.

BOND OF COMMONWEALTH DISUNITY

Captive Kashmir: Story of a Betrayed and Enslaved People. By Aziz Beg. (*Allied Business Corporation*, 54 *The Mall, Lahore, W. Pakistan.*)

Mr Aziz Beg is Editor of the Pakistan political weekly, *Star*. He is a prolific writer and this book is less a serious study than a large pamphlet inspired with passion and conviction of the rightness of the Azad Kashmir cause and the justice, which can hardly be denied, of Pakistan's claim, supported by many lands, to a plebiscite in a lovely, tragic and vital State.

Appendices give a selection from the world press hostile to Sri Nehru's obstinately held position and two eloquent letters from Sheikh Mohammed Abdulla, the Kashmiri leader he incarcerated.

INTRODUCTION TO U.S.A.

British Essays in American History. Edited by H. C. Allen and C. P. Hill. (*Edward Arnold*, 30*s*.)

Published for the Jamestown celebrations, this scholarly and readable collection provides for the reader equipped with a modicum of basic facts a generous panorama of American history from the Founding Fathers to world power. There is a book list for further reading.

Marius Cunliffe of Manchester, on the American Military Tradition, is particularly fascinating and refers to *The Great War Syndicate*, a book published in 1889 which describes an imaginary Anglo-American war, won by the U.S.A. through free enterprise and leading to an Anglo-American partnership for the enforcement on the world of disarmament and Anglo-Saxondom.

Professor Max Beloff's essay on American Foreign Policy 1871-1956 is disappointing, coming from him. It seldom reaches to the fundamentals.

GREAT POLITICAL THINKERS

Political Thought in Perspective. By William Ebenstein. (McGraw-Hill Series in Political Science, 52s. 6d.)

The author, who is Professor of Politics in Princeton University, presents the high points of the evolution of political ideas from Plato to the present as seen by distinguished statesmen themselves. For example, this volume contains the comments of Paine or Woodrow Wilson on Burke, Mill on Bentham, Acton on Mill, Lenin or Masaryk on Marx, and Churchill on Lenin.

Commenting on each other, there is a liveliness about their writings which often reveals as much about themselves as they do about the man commented upon. Some material is included which has not previously been available in English, and this has been translated by the editor-author, who is well-known as an authority on comparative government and modern political theory.

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).

Oil and Life

The New Alchemy.

A series of articles reprinted from the Esso Magazine (1956 issues): Rubber from Oil; Chemicals from Oil; Gas from Oil. (971)

Indian Survey

Survey of India's Foreign Liabilities and Assets. Reserve Bank of India, Department of Research and Statistics.

The third in a series of reports regarding India's foreign liabilities and assets as on 31st December, 1955 (972)

Commonwealth Migration

How Important is the Commonwealth?

Commonwealth Migration Council. Visualises the growth of a still 'Greater' Britain beyond the Seas. (973)

O.E.E.C. Reports

Economic Conditions in Italy. O.E.E.C. 1957. (974)

Economic Conditions in Belgium, Luxembourg and the Netherlands, 1957. (975)

Economic Conditions in Denmark, Iceland, Norway and Sweden, 1957. (976)

ECONOMIC DIGEST

MARCH, 1958 VOLUME XI No. 3

Digest Spotlight focuses on

Professor Ludwig Erhard

(Minister for Economic Affairs of the Federal Republic of Germany)

MANY people have expressed astonishment at the economic recovery of Western Germany since the war. It has been referred to as the 'German Miracle', and the architect of this transformation is undoubtedly Ludwig Erhard. The publication of his book *Prosperity through Competition** gives us the opportunity of focussing attention on the economic aspects of German recovery, and in particular on the man chiefly responsible for bringing it about.

Born in February 1897, Ludwig Erhard took over the post of Minister of Economics in 1949, since when he has campaigned the length and breadth of Western Germany in support of his policy of free enterprise coupled with stable money. The results of his activities can best be judged by the graph we publish on page 66 of this issue, showing the remarkable stability of the general price level, combined with the steady increase in the wage rate during the post-war period. Here is the answer to those who say that a stable price-level cannot be achieved and who argue in favour of creeping inflation combined with controls.

In May 1945, the American Military Government appointed Erhard as Bavarian Economic Adviser in charge of industry in the Nuremberg-Furth area, and after a few months he became Minister for Trade and Industry in Bavaria. A year later he was appointed Bavarian Minister of Economics. In 1947, he concentrated on currency reforms as Chief of the Special Office for Monetary and Credit questions of the Bizonal Council. In 1948 he became Economic Chief of the 'Bizone', the economic fusion of the British and American occupation zones. His election to the Bundestag came in 1949 and the Federal Chancellor offered him a cabinet portfolio as Minister for Economic Affairs, and his free enterprise economic policy was launched.

This was *not* put into effect without opposition both internal and external. Neither the British nor American authorities approved his plan to free the German economy from controls, and at one time in 1948, when prices rocketed, processions of indignant Germans carried placards bearing the words 'Hang

continued on page 70

**Published by Thames & Hudson. 25s. (Reviewed on page 77.)*