

some eighty other German officers of General rank. After the cessation of hostilities he was commandant at the Political Re-education Centre for German prisoners. In 1953 he produced *Commonwealth Stocktaking*, analysing supply and demand in the sterling area *vis-à-vis* the \$ area. This had a highly favourable reception, being described in the *Financial Times* as 'masterly in its clarity'.

Colonel Grondona's latest work, *Utilizing World Abundance*, has made an outstanding impression and may well prove to be one of the most important contributions made in this generation. It outlines a system to establish accessible reserves of essential commodities so administered as to achieve continuity of supply with reasonable price stability at realistic levels. Mr R. F. Harrod writes: 'The author deals with matters of urgent importance and proposes treatment on a scale worthy of the problems. May his lucid advocacy galvanise our leaders into action,' Mr Graham Hutton says of this system: 'It is economically sound, practicable and desirable; it would help to counter inflation . . . it could gradually provide a firmer base for our national

economy. . . .? Accorded leading articles in *The Times* and the *Manchester Guardian*, this book has been as well received in *Tribune* as in the official journals of employers' organisations: *The Director*: 'This is no crackpot scheme'; in the *F.B.I. Review*: 'Bears scrutiny better than any other superficially similar scheme known to the reviewer'; and in *The Manager*: 'Epoch-making is a word too often and too lightly used, but to apply it to *Utilizing World Abundance* is to restore it to its original its literal meaning. It can only be a question of time before man's reason and self-interest overcome his inertia and these proposals are accepted. When they are they will define the beginning of an era as surely as did the introduction of the gold standard.'

The system advocated in this book has already been the subject of many favourable comments in the House of Commons, and from statesmen in the overseas Commonwealth. A great deal more is likely to be heard of this project in the near future. Colonel Grondona will be the guest speaker at the Economic Research Council's special Dinner at the House of Commons on 10th June.

PRINCE PHILIP ON 'MEANS AND ENDS'

WHEN in Canada, Prince Philip stated a principle, the flouting of which is responsible for most of the problems troubling our present-day society.

'Industry,' he said, 'is only a means to an end and *not* an end in itself. It is the people that come first; their life in and out of working hours is the only really important thing, particularly in a country that professes to be democratic.'

'Man has simply got to remain in charge of the industrial monster which he is building. We have got to make sure that science and industry remain the servants of man and *not* his dictators.'

It is a sad fact that production of goods, manufactured or agricultural, and its efficiency is the standard by which the well-being of a nation is measured. Men do not produce any more to live; they live to produce . . .

From Western Producer, March 1958

The Price of Gold

SINCE the first world war the importance of gold for use as coin or as a backing for paper money has steadily diminished. In most countries nowadays the quantity of money in circulation bears no relation to the value of the gold held in their reserves. In external relationships, however, gold has maintained its place. The reserves which countries hold for the ultimate settlement of their international debts consist of gold and U.S. dollars, the dollar being coupled with gold for this purpose because the United States are prepared to convert dollars into gold at the request of foreign central banks.

Although gold still retains its importance as the ultimate reserve for international transactions, the value of the amount available for use in this way has, in the last 20 years, very greatly diminished in relation to the volume of economic activity based on it. In 1937, official reserves of gold at \$25.3 billion nearly covered the annual value of world imports; by 1956, gold reserves were little more than one third of world imports, and the position was worsened by the fact that a very large proportion, both of the gold and of dollars based on gold, was held by a very few countries; the United States alone holds approximately 60 per cent of the world's gold. As a result, a large part of world trade is carried on with a comparatively small backing of internationally acceptable funds for the periodic

settlement of balances due. The sterling area is a particular sufferer from this shortage of reserves. Total gold and dollar reserves held by countries outside the United States were estimated at \$28½ billion dollars at 30th September last, and of this amount only \$3.6 billion were held in the sterling area—an almost ridiculous figure when it is remembered that not much less than half the world's trade is believed to be financed in sterling.

Advantages to Free World

There is, therefore, a world-wide problem of insufficient liquid reserves and readers of the world's financial press will have noticed that the possibility of an increase in the price of gold is coming back into discussion after having been in cold storage for some years. The advantages for the free world outside the United States are obvious. The value of all gold reserves would be correspondingly increased and, assuming that the increase was substantial, the world position would become more liquid and the risk of frequent financial crises would be reduced. The value of the current output of gold would go up correspondingly and the physical output would be stimulated; both these factors would assist world liquidity. The sterling area, which produces much of the 'free' world's gold, might be the largest benefactor, but in view of the high proportion of world trade which is carried on in

Editorial from Overseas Review, Barclays Bank, D.C.O., April 1958

sterling, its increased stability must be of general advantage.

The official price of gold at present is U.S. \$35 per fine ounce, this being the price paid by the United States Treasury. In her capacity as principal holder, probable ultimate buyer and also to comply with the rules of the I.M.F., the consent of the U.S.A. is necessary for any increase. Indeed, only a definite decision by the U.S.A. can bring it about. It must be admitted that American opinion since the war has been firmly against any advance in the gold price and there is, as yet, little sign of change. But the continuance and deepening of the economic recession in the U.S.A. and the sign that it may be spreading to other countries could lead to some reconsideration.

Misconceptions

It is often assumed that an increased price for gold would be of little value to the United States and might even be harmful, and that it would be impractical to expect her agreement on altruistic grounds. Such a view seems to be based on certain misconceptions. In these days of managed currency and credit there is no reason why an increased gold price should necessarily be inflationary. The ratio of American gold assets to short-term liabilities and to the value of external trade has fallen in recent years and it might be considered an advantage to restore it. These possible internal advantages are, admittedly, minor in comparison with the international benefits, and in this sphere the immense expenditure by the United States on foreign aid in post-war years is evidence of her extreme concern with the welfare

of the free world. To a country which has already given away so much in the struggle for world stability, any means of attaining the object without vast expenditure should surely commend itself.

A Breathing Space

To advocate an increase in the price of gold is not to claim that this action would of itself be a cure for the crises arising from the maldistribution of world reserves. It would, however, provide a breathing-space in which to consider more lasting remedies. Those proposed in various quarters include the suggestion of a substantial stabilisation loan for sterling from the principal holders of gold. Such a loan might enable sterling, the world's principal trading currency, to weather local and temporary storms without recourse to restrictive measures such as higher interest rates, tighter credit conditions and possibly severer import controls, which must necessarily retard the economic expansion of the world as a whole. A more comprehensive suggestion is that the powers and resources of the International Monetary Fund should be enlarged so that it could regulate international credit and currency; it might become in effect a world central bank for all countries of the free world, on the lines of the original proposals at Bretton Woods. Whatever action might ultimately be taken, it ought not to be beyond the wit of man, in the twentieth century, to devise a system of international finance which would work in a more efficient and rational manner than does the present machinery.

Keynes Today

Professor Slichter in his article 'The Passing of Keynesian Economics' (Atlantic Monthly, November 1957) asked 'Why was Keynes so completely wrong?'
Here DIGEST's New York Correspondent examines who was really wrong.

Two questions arise: What did he say and was he right? Everyone agrees the Keynesian tools—Liquidity Preference, Propensity to Consume, Marginal Efficiency of Capital—were fruitful. Bearing in mind that national income exactly equals national outlay and the Keynesian emphasis on the difference between the function of the rate of interest and the marginal efficiency of capital, — always confused by 'classical' economists—let us pass straight to the analysis.

Analysis

The Keynesian analysis attacked directly and destroyed one of the main harmonisers in the classical theory by showing that the rate of interest is powerless to equilibrate savings and investment. ('The main difference'—in Keynes's own words—'between me and the classical economists is that I believe interest to be the reward not for risks, but for non-hoarding!') Savings are governed not by outlets for investment but by total community income and its distribution; investments are governed not by the amount of savings but the expectation of profit. Under existing patterns of income distribution in unplanned industrial economies, whenever national income expands at a faster rate: this automatic imbalance is accentuated by the tendency of

investment, instead of increasing at a faster rate, to be curtailed as new plant comes into production.

Savings do not outrun investment —by definition they are equal—but if individuals or groups try to save more than is being invested, the income of others is by that much reduced by debt, unemployment, etc., i.e. as much must be returned to the income stream in any time period, as is taken from it, to avoid the cumulative downward spiral. Conversely, when individuals or groups seek to invest more than is being saved we get inflation as this increased investment can only occur by an increase in the money supply. Wage-cost increases are but symptoms, not causes.

There is no technological escape from this: in so far as new avenues are opened up the effects are modified, but the only question is to what degree and at what level will the cycle recur.

The Keynesian analysis also destroyed the theory that cutting wages automatically led to a new equilibrium at a reasonable level. After a long debate in the *Economic Journal* over twenty years ago (in 1938) it was eventually accepted by Keynes's leading opponent (Prof. Pigou) that it cannot be taken for granted that the demand for labour will be adequate to absorb the supply. But this does not appear to be accepted by the Cohen Committee today!

Remedies

Let us now consider Keynes's remedies. He proposed them primarily for England and the U.S.A. in the 'lamentable thirties' when for nearly a generation (1928-42) U.S. business proved totally unable to liquidate the depression (9,000,000 unemployed in 1940). Keynes advocated socially controlled investment coupled with consumer stimulation: 'The wisest course is to advance on both fronts at once.' (His own words.) To say that Keynes ignored consumer stimulation is sheer misrepresentation. He did advocate more emphasis on investment in England, as she had lagged since 1918, and relatively more consumer stimulation in the U.S. in view of the huge productive potential already existing there. 'It seems politically impossible for a capitalist democracy to organise spending on the necessary scale to prove any theory except in war conditions.' How exact was his prophecy!

Today all remedies proposed for the current U.S. recession (a 'business disaster of the first magnitude', to quote the Governor of Michigan) brought about by ignoring Keynes are Keynesian, including the current budget deficit approaching \$10,000,000,000.

Lastly let us consider the general implications as regards time and place which he rightly believed his theory held.

(1) The U.S.A.:

As stated, cause and cure are both Keynesian. Consumer conditioning ('pace the author of 'We too can prosper') is nothing but concealed Keynesianism; and this and high

tariffs for synthetic industries have now as their major objective, no longer the protection of jobs or profits, but of the marginal efficiency of capital i.e. outlets for investment.

(2) Germany:

The 'miracle' is pure Keynes. After the war Germany's only solution was to invest. Government policy was designed (very successfully) to ensure that a high rate of savings (low taxes, etc.) should be immediately offset by new investment. This has occurred, but at the cost of an underconsuming economy at the mercy of world forces. Therefore we must expect a rapid deterioration of the German economy *vis-à-vis* England.

(3) France:

Between two worlds of underinvestment and over-consumption, but with a strong positive equilibrium emerging as the Monnet Plans and her atomic techniques take effect.

(4) Russia:

Due to forced saving, automatically offset by forced investment, the Soviet economy outpaces the West. However, lack of consumer stimulation is leading to imbalance (c.f. aluminium) and the transition to a better balance is bound to create further difficulties for Russia—if she undertakes it.

(5) Underdeveloped Countries:

Generations of oversaving and underinvestment have led to the downward spiral of debt for the peasant while gold accumulates in the princely treasuries. Contrary to what Prof. Slichter supposes, they are not too poor to save but have immense savings. India disgorged

gold at the rate of £50,000,000 when the price of gold rose in the thirties.

(6) England and the Sterling Area:

Applying the Keynesian policies since 1945 the U.K. has perhaps the best *balanced* economy of all industrial nations and has improved her position relative to her great rivals, the U.S. and Germany, since 1938. (See Dr T. Barna in *The Banker*.) Only in cases where direct or indirect pressure has prevented her from expanding sufficiently has she lagged, e.g. steel, machine tools, due to dismantling of Imperial Preference and the arms burden.

The whole Sterling Area turns out to be nothing but reciprocal accounting—income equalling outlay *à la* Keynes—on an expansionist basis.

England has achieved full employment for nearly a generation—an achievement unmatched in human history, constituting a highly important and encouraging example for uncommitted nations.

It would be a disaster for the world were this to be abandoned for lack of moral courage, or understanding or pressure.

(7) The International Scene:

Ironically enough, this 'proves' Keynes incontrovertibly. Brutally defeated by the Americans at Bretton Woods, he despaired and died but his ideas lived. Since 1945 the expansion of world trade is due to Keynes's ideas (e.g. clearing house, creation of international currency, E.P.U., the Warsaw powers clearing, investment in underdeveloped countries, high level of activity and employment by all partaking in international trade). In so far as Keynes's ideas are now being abandoned, the world scene darkens.

The hoarding—or refusal by the U.S. and Germany to offset their international saving by investment abroad—leads directly to the downward spiral. Whereas the U.K., as before 1914, offsets its sterling surplus by overseas investment, according to Keynes, and a high level of activity is maintained, instead of a 'gap'.

The continuing export surplus thus appears for what it is: not that at all but a permanent reliance on—in fact a drawing off of—the purchasing power of others (partly to finance excess capacity at home). This is clearly brought out by the *per capita* export and import figures for the U.S. published in the ECONOMIC DIGEST in March. These show embarrassingly how much more *per capita* America took from foreigners than she returned to them.

Time

As regards the general applicability of Keynes in time,—particularly the future—the implications are clear too: all roads lead not to Communism but to Keynesianism. We are all—or nearly all—Keynesian now. To Keynes both private enterprise and social control were devices—neither moral imperatives, or rather both were reflecting the underlying reality that man is both an individual and a social being.

The reasons for the bitter attacks by diehards on the Right and apocalyptic on the Left are clear also. Keynes showed the incapacity of business and by his emphasis on consumer stimulation and spending he undermined the 'sacredness' of private property and resolved the ancient conflict over usury. Keynes's solution was to harmonise hatreds and conflicting interests, domestic or international, offering on an

expansionist basis, abundance, liberty and stability, a combination not yet achieved by any society. He thus stole the thunder of the moral invalids of the extreme Left by offering hope and decency.

Because he chose the road of reason and elected to prove his theory by writing a book instead of

slitting someone's throat, he has been called a conservative thinker. In truth he was a 'classicist'—the noblest Greek of them all—able to envisage dreadful circumstance, all calm 'but confident'. Of all economists it may be said, he 'dreamed the dream of life the best' and his achievement takes on gigantic stature.

U.S. Business and Canada's Economy

BY WILLSON WOODSIDE
Associate editor, 'Canadian Commentator'

JOHN DIEFENBAKER'S landslide victory means a great deal for Canadian-American economic relations. Shortly after he took office last summer, Diefenbaker announced that he would try to end our perennial trade deficit with the U.S. by switching 15 per cent of Canada's purchases to Britain. At Dartmouth College last September, he warned that there was 'an intangible sense of disquiet in Canada over the political implications of large-scale and continuing external ownership and control of Canadian industries'.

The heavy influx of U.S. capital in recent years, he pointed out, had resulted 'in some 60 per cent of our main manufacturing industries and a larger proportion of our mineral and oil production being owned and controlled by U.S. interests'. He called on U.S. companies not to regard Canada as an extension of the American market, but to incorporate as Canadian companies and make equity stock available to Canadians. At present, only one U.S. subsidiary in four offers such stock to Canadians.

Pro-Canadian

Diefenbaker is in no sense anti-American. He has been one of the leaders of the Canadian NATO Parliamentary Committee since its inception. Nor did he exploit the revelation, in the closing days of the campaign, that U.S. orders had prevented Ford of Canada from exporting 1,000 cars to Red China. His theme was wholly pro-Canadian, stressing the need for us to develop our own country.

An important aspect of this re-assertion of Canadian economic independence which Diefenbaker has not mentioned is the subordination of most trade unions here to international head offices in the U.S. The argument which workers here make against going it on their own is that many of the companies with which they have to negotiate (the great automobile and electrical firms, for example) are U.S. subsidiaries and draw support from their head offices in the States.

Canadianise Operations

The question of the kind of opera-

tion carried on in Canada by U.S. firms seems bound to become one of the big issues in the Diefenbaker administration. What he would like U.S. firms to do is 'Canadianise' the operations of their subsidiaries, offer a part of the stock to Canadian investors, employ Canadians as executives and engineers, and generally operate as Canadian companies within the Canadian community.

This is no Operation Mossadegh. We have always welcomed U.S. investment and still do. But a feeling is spreading that perhaps we have taken in too much of it too quickly,

on terms unfavourable to Canadian independence. In order to cover our huge annual trade deficit, in order to pay for all the wonderful things which Canadians want from the U.S. to raise their material standard of living (and that includes winters in Florida for a growing multitude), we have sold out a large part of the country. It will be Diefenbaker's task, if he is to prevail, to persuade the Canadian people that it would be better to go a little more slowly in developing the country and keep it as our own.

Economic Causes of Anti-Americanism

ECONOMIC competition between England and America cannot be gained nor glossed over. In a recent article in *Foreign Affairs Quarterly* Aneurin Bevan points out that the British and American economic systems compete and that much of the difficulty in Anglo-American relations arises from this competition.

Economic causes of ill will include:

1. Worldwide competition for markets between British and American industry.
2. Some Englishmen, still fascinated by the British handicraft age, resent mass production and other technological changes. They call them American intrusions.
3. Some Englishmen, suffering from a cultural time lag, are fighting against the late nineteenth-century American capitalism and the robber barons exposed by muckrakers early in this century.
4. Some English intellectuals dislike American middle-class acquisition of wealth.

5. Some Englishmen recognise that England is a great beneficiary of America's wealth and resent it.

The *Mass-Observation Bulletin* made a cogent comment on the 1953 survey: 'Great goodwill for America . . . still exists. . . Nevertheless, dependence on America is sowing seeds of fear and resentment.'

The *Bulletin* also reported that the economic status of an individual is related to his attitude toward Americans.

Malcolm Muggeridge in a recent television broadcast, when asked about Anti-Americanism in England, confirmed our own conclusions: 'America is very rich and very powerful and generally speaking everybody hates the rich and powerful. In the nineteenth century the English were loathed . . . the only difference between the English and the Americans in this respect is that the English rather like being loathed and the Americans apparently dislike it intensely.'

The U.S. Economy 1957-58

THE recession is likely to deepen further in the second quarter and reach new lows in the third quarter, but the deepening will not carry the economy very much further down. The real hazard is that the country will bump along at a low level of activity for the rest of the year and into 1959. Even should it reach a technical business cycle turning-point in the near future, there is little reason to expect any significant

recovery before 1959. The effects of increased Government spending will take much time to assert themselves and they are not projected at levels which will appreciably fill the under-employment gap. Unless taxes are substantially reduced, and in such a way as to maximise the stimulation to consumer spending, this recession will be with the U.S. for the remainder of the year.

Extract from an article in the Banking & Insurance Supplement of the Financial Times, May 5, 1958

The United States Recession

WHILE the Administration is prepared to gamble on the economy 'righting itself', Congressional leaders and economists are proposing two main lines of action: tax cuts and increased Federal spending. There are many good reasons to argue for tax cuts—and even more reasons for tax reforms which would aid lower-income families while eliminating special privileges. But a tax cut, though 'speedy', is 'aimless'. The unemployed are not directly helped. Money gets spent on too many irrelevant items. Even if it is spent to reduce debt, this simply adds to bank and finance-company surpluses.

Direct Federal spending would show results more clearly. John Kenneth Galbraith, for example, has argued persuasively that Federal spending for school construction would not only provide social benefits in a needed area, but might

Extract from an article by Robert Travis in The New Leader, April 28, 1958

this aid can, in statistical terms, be completely wiped out by a mere fluctuation of 4 per cent in the relative terms of trade between the raw materials sold by Asian countries and the price of manufactured goods which they pay. Latin America and a number of Asian countries (Pakistani in particular) are already feeling the effects of our recession in this manner—at a time when the Soviet Union is increasing its barter trade

throughout the world and our political prestige is low.

Perhaps the Eisenhower Administration can afford to be complacent about a 10-per-cent unemployment level. The rest of the world is not so fortunate. If the recession is allowed to continue and deepen, its political effects abroad may be as startling as—and far less welcome than—its probable political effects at home this November.

MEN STILL WITHOUT WORK

THE unemployment situation in Southern Italy and Sicily is one of the main economic failures of Western Europe; and recently Protestants and Roman Catholics joined together in a 'full employment' conference held at Palermo, Sicily, under the leadership of the famous Catholic writer and social worker Danilo Dolci. The key-note of the meeting was struck by a message from the Abbé Pierre, Paris, who asked: 'How is it possible to leave so many human creatures without the resources they need in carrying out their will to attain by their labour human dignity? They want to fulfil their destiny as children of God, at a time when there is a superabundance of science, technique, and financial resources.'

One of the main speakers was Pastor Tullio Vinay, director of the

From Frontier, January 1958

Protestant community of Agape, in northern Italy. He affirmed: 'In the economy of the Gospel, when you deprive a man of the possibility of work, you also deprive him of his vocation, destroying him as a joyful creature of God and a brother bound to us by love . . . more than economic, social and political reasons should compel us to tackle the problem of full employment resolutely. It should be no less a matter of Christian consistency and love for men whom Christ has called to the task of sharing joyfully in God's great work.'

It is reported that since the conference ended, Danilo Dolci and his collaborator France Alasia have embarked on one of their fasts to draw attention to hunger and poverty in South Italy.

OIL—EASTERN NIGERIA

OVER 2,500 barrels of crude oil are reaching Shell-B.P.'s storage terminal at Port Harcourt, Eastern Nigeria daily from the Afam and Oloibiri Oilfields. A new 10-inch pipeline from Oloibiri to Port Harcourt has commenced operation. Production now, from Oloibiri alone is being stepped up to 40,000 barrels daily, i.e. about 700 tons per day.

From Eastern Nigeria Today, March/April 1958

Commonwealth Survey

(1) SALUTE TO FEDERATION

BY THE RT HON. CREECH JONES, M.P.
Secretary of State for the Colonies, 1946-50

To establish a new Dominion based on modern economic and political outlooks and composed of many self-governing units widely distributed among islands covering a considerable area in the Caribbean has been an exercise of the greatest political difficulty. The emergence of The West Indies is however more than an experiment in constitution and nation-making that gives gratification and satisfaction to the courageous leaders who pioneered it. The Federation is no longer an aspiration; it is a fact even if complete independence is not yet fully attained. It has a Government, a Parliament, a Governor-General, a capital, a purpose. The mainspring of this important political venture, said Mr Norman Manley, was the common outlook of West Indians, their groping towards a sense of kinship, their shared hopes for the dignities, the responsibilities and the inspirations that the achievement of Dominion Status and West Indian nationhood could bring. It has involved persistence and determination in surmounting physical, political and often unpredictable obstacles but the Caribbean Dominion has been brought into being and will advance I believe to its destiny as a free nation in the Commonwealth.

Closer Association

It is indeed the creation of the People of The West Indies, and whatever assistance may have been drawn from the United Kingdom it

From The West India Committee Circular, April 1958

is not a structure of government imposed by an Imperial Power or by a skilful minority on the people of the ten or more territories concerned. The reality of it has come as its conception has been worked out over the past decade by the representatives of the people themselves. The Montego Bay conference in 1947 came about only after the legislature of the colonies had been asked to think about the principle of closer association. It was not a new idea, for long before the facts of a changing world and human needs had been discussed by West Indian politicians and officials and notably by Lord Halifax and Oliver Stanley.

I suppose the war emphasised the importance of close co-operation, made easier communications and brought the colonies into closer touch with one another for mutual discussion of many common problems. After the war it was felt that the moment was favourable for a practical effort in exploring the whole idea of closer union. A Royal Commission had laid bare the squalor, misery and poverty of the territories and the British Parliament had seen the necessity of providing funds and advisers for economic and social improvements. Already, in the new conditions, social and economic problems were drawing the officials and people's representatives into consultation and common effort particularly in respect of marketing West Indian products, enlarging the

economies of the territories and promote development and welfare all establishing institutions of higher education. The pooling of experience and the felt need of services to than those already existing.

(2) COMMONWEALTH TRADE

An examination of the Review of Commonwealth Trade by the Commonwealth Economic Committee does not make very satisfactory reading. The general position of the Commonwealth in world trade shows a downward tendency and the following table gives the position in 1956 as compared with 1955 and also with 1952:

	WORLD EXPORTS (a)		WORLD IMPORTS (a)	
	1952	1955	1952	1955
Commonwealth	29	27	32	31
U.S.A.	21	19	15	14
Central & S. America (b)	10	10	9	8
Europe (b)	29	32	31	34
Asia (b)	6	7	8	8

per cent of value

(a) Excluding the trade of Albania, Bulgaria, China Mainland, Czechoslovakia, E. Germany, Hungary, North Korea, Poland, Roumania, U.S.S.R.
(b) Excluding Commonwealth areas.

Steady Decline

It will be seen that there has been a steady decline in the Commonwealth's share of world exports by value over the longer period. The U.S.A. has maintained its position, Central and South America show a decline over the last year, the European percentage has increased over the long term, although there was a drop between 1955 and 1956, Asia shows a slight increase since 1952 but has been stationary for the last three years.

The import position is somewhat similar: a decline by the Commonwealth and Central and South America and a smaller one by the U.S.A.: a uniform position in Asia and a substantial increase in

Europe.

The index numbers of the volume of exports are not more encouraging over the longer period. The volume of world exports between 1951 and 1956 has risen by about 31 per cent; the United Kingdom, however, has shown an increase of only 14 per cent, although there was a marked recovery in 1956 over 1955. The rest of the Commonwealth has made a very much better showing than this: Canada has increased her volume of trade by 23 per cent, Australia by 56 per cent, New Zealand by 32 per cent, South Africa between 1951 and 1954 (there are no later figures) by 43 per cent, India by 26 per cent, Ceylon by 12 per cent and the Colonies by 26 per cent.

From Commonwealth & Empire Industries Association

Broad Deduction

The broad deduction to be made from these figures is that the United Kingdom has paid far too little attention to the development of Empire trade, having been bent upon increasing that with the U.S.A. and also preoccupied with European trade. The result has been that Commonwealth countries are looking elsewhere for their markets which

in the long run must mean a decline in their imports from the United Kingdom in favour of the countries which are looking to the Commonwealth for increased trade.

This is a dangerous trend; the possibilities of expansion inside the Commonwealth are far greater than those in Europe, and the American market is notoriously fickle.

(3) COMMONWEALTH MINERALS

It is obvious that we have not at present in the Commonwealth any one organisation equipped to provide some future Commonwealth conference on minerals policy with the data on which to plan. A great deal of useful work is being done both in the public and private sectors of the economy but it is largely unco-ordinated. A first essential, therefore, of any planning at Commonwealth level must be to bring some order into this situation. This does not mean superimposing some new statistical agency on top of what already exists, but rather seeking to get the best out of what there is, eliminating the considerable duplication of effort

From The Mining Journal, April 4, 1958

(4) DEVELOPING INDIA'S ATOMIC ENERGY

SPEAKING in the *Lok Sabha*, New Delhi, recently, the Prime Minister of India, Mr Nehru, said that it will be possible to start the first atomic power station in India in 1962. He added that the government had drawn up an as yet incomplete plan for the development of atomic energy.

In so far as progress in atomic energy is concerned, it is of interest to note that India is now able to

From The Mining Journal, May 2, 1958

if the power consumption rate of the United States were applied to India, however, the country's potential would be consumed in a little over three decades.

Overall Picture

The overall picture of India's atomic energy developments shows that the first reactor, Aspara, which began operations on August 4, 1956, is now working two shifts and shortly will be working on a three-shift basis. Requests for radio isotopes have been met to a large extent. The Canada-India reactor is expected to be ready towards the end of 1959, and from this source it will be possible to produce the full range of radio-active isotopes, including radio-cobalt.

The Prime Minister's views were enhanced by Dr H. J. Bhabham, chairman of the Atomic Energy Commission of India, when he pointed out at the Third Defence Science Conference in New Delhi that India's atomic energy resources gave rise to optimism. Despite the higher capital cost of an atomic power station in comparison with a conventional installation, the low running cost of the former would make the cost per unit of electricity very competitive. If the cost of atomic fuel were taken into consideration, the cost of atomic power per unit would be reduced by at least 50 per cent of the present estimated cost.

Currently, India has offered to supply thorium to the International Atomic Energy Agency.

(5) FREE TRADE PROPOSED FOR AUSTRALIA-N.Z.

DIFFICULT trading conditions in New Zealand are reported to be hastening discussions in commercial circles for a free trade area with Australia.

Both countries are affected by the slump in overseas prices for dairy produce and wool.

The former Australian Trade Commissioner in New Zealand, Mr Hudspeth, said in Sydney that although the free trade talks had not reached Government level, a recent meeting of the New Zealand Chambers of

Commerce had decided to investigate the proposal.

New Zealand was looking more and more to Australia as a trading partner, he said. The level of trade between the two countries was growing, and in a few years Australian exports to New Zealand could be worth £A100 million a year. Feeling in New Zealand was that the destinies of the two countries were identical.

From Australian News Letter, May 1, 1958

IMPORTANCE OF EXPORTS TO U.S.

SOME interesting figures have been offered by the liberal trade advocates in Washington to support their case for lower trade barriers.

The U.S. Council for the International Chamber of Commerce says if all tariffs were eliminated by United States, no more than 100,000 to 200,000 workers would lose their jobs. By the same token, four and a half million Americans now earn their living from international trade.

800 Years of the European Market

by S. H. Baker-Munton

As thoughts today are turned to the possibility of a closer-knit European trading community, our correspondent notes the rise in past centuries of organised export groups which explored the European market. Then and now, there were problems of currency, export subsidies and tariffs

ONE of the first 'Export-to-Europe' incentives was vigorously applied by King Athelstan in his reign from 925 to 940—just over ten centuries ago! He raised to the rank ofthane every merchant who had made not less than three voyages in his own ship. Even then, apparently, we were conservative and insular traders, preferring the passive comfort of being visited to the active effort of visiting.

However, the existence of the European market could be said to have been first officially recognised exactly 800 years ago, in the reign of Henry II whose realm stretched from Northumberland to the Pyrenees, and whose frequent and distant travels amazed everyone. In the year 1157, Henry II granted protection to the first foreign trade association, or hansa, to be formed in London—by merchants from Cologne and Westphalia.

It may well be more than a coincidence that eight centuries ago it was the German traders who were showing the initiative in exploring this European market. Their expansion first led them along the Baltic eastwards of the Elbe, but later westwards into Flanders and so to England. These men found it desirable to group together to protect their common interests and, in 1169, they formed the forerunner of the Hanseatic League, centred on Lubeck. German trading towns, previously operating independently or in small

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called, had become renowned for their coins of uniform weight and quality: their silver pennies became known as sterlings, 240 of which went to the pound (sterling) of silver—of 5760 grains, as laid down by statute of Edward I. (In 1276, it is interesting to note, sterling was devalued temporarily—their being 243 pence to the pound of silver.)

The amalgamated merchants settled in what is now Cousins Lane on Thameside, and their counter or court was only later (in 1422) referred to as the Steelyard. They claimed jurisdiction over other counters in England, but in fact, while Cologne merchants still held control in London, those from Lubeck dominated the rising ports of East Anglia—Lynn, Boston, York, Hull, Ipswich, Norwich and Yarmouth.

Commercial republics

The Hanseatic movement in Europe was gaining momentum; leagues of important towns became virtual commercial republics, with enormous power. Apart from their own factories in ports all over Europe they had their own fleets of patrol ships and they flew their own flag, a red and white ensign, on their mercantile navy.

But the growth to power was not without check. Evidence of internal strife and 'unfair competition' is suggested in the case of Bremen—originally admitted to the League in 1283 but expelled from 1285 to 1358 and later again from 1427 to 1433. Cologne was another recalcitrant who suffered exclusion for five years in 1471. Even then men disliked subsidies for export, and dumping: though that is not to say that a free trade area existed. While all the trade courts emphasised their value to their host countries in an attempt

to be excused paying dues for the custom of trading, not all were successful.

Hanseatic League—a 'closed shop'

The Germans in England were highly privileged in return for their financial assistance: for example in redeeming the Crown Jewels from money lenders who had advanced money to Edward III for the war with France, and in accepting the Cornish tin mines as security for three-year loans to the Black Prince. However, English merchants in German towns were not given any privileges. Rather the reverse, for the Hanseatic League was a 'closed-shop' type of monopoly: there was wholesale repression of competition from non-union members.

In an attempt to challenge this one-sided privilege England raised custom duties, but no tariff wall was strong enough. Edward III found it necessary to debase the coinage by 20 per cent and, under pressure in 1377, Richard II was forced to re-introduce free trading privileges. These were retained until the time of Edward VI, who deprived the merchants of their monopolies and charters.

By then English merchants had learned much from these European traders; but as their knowledge and experience grew, so did their resentment of the foreigners. Times were to change. Once more our Merchant Adventurers were urged to trade more abroad; the weaving of cloth and other manufactures was encouraged.

Simultaneously in Europe the Hanseatic League had reached the peak of its unification. From then on, jealousy and nationalism disrupted the previous centuries' organisation: trading settlements gave place

to fairs, many of which like Leipzig and Frankfurt are still of international renown.

And so to Cannon Street

Queen Elizabeth I expelled the League from England in 1597. The Guild Hall in Thames Street was requisitioned as a naval storehouse, and later re-let to merchants. It was destroyed by the Great Fire, then rebuilt, and some 200 years later sold in 1852, by the merchants of Lubeck, Bremen and Hamburg to whom the premises still legally belonged. The

purchasers were the South Eastern Railway Company and Cannon Street Station now occupies the site.

Similarly in Bergen, where today the fine Hanseatic Museum is in the original premises, an end came in 1764; and in Antwerp the final act of all the League came in 1863 when the court and trading premises were closed.

Truly this was a remarkable era of European trade, which is too often forgotten as the precursor of our rise to industrial and economic power in the world beyond Europe.

East-West Trade

MANY western countries are showing an interest in the development of long-term trade with the Soviet Union. That is why the Soviet Union has in recent years concluded long-term agreements on reciprocal deliveries with a number of capitalist countries—for instance, a five-year agreement with Finland and long-term agreements with Norway, Iceland and Denmark. In 1957 alone we concluded such long-term agreements with France, Italy, Austria, Afghanistan and Iran. Negotiations are in progress on a long-term agree-

ment between the U.S.S.R. and the Federal Republic of Germany. All these agreements provide for a substantial increase in trade.

The United States of America is now the only great power and one of the few countries in the world with which the Soviet Union does not have trade treaties. If the government of the United States expresses a desire to conclude a trade treaty or agreement with the U.S.S.R., I can assure you of a favourable response from the Soviet side.

N. S. Khrushchov in an interview with the U.S. Journal of Commerce, March 22, 1958

HINTS ON TIPPING

THE Government is opposed to the practice of tipping, and many Soviet citizens regard it as insulting. Tourists who wish to express appreciation in some way are advised to furnish themselves with some good books, some interesting English or American postcards, or reproductions of works of art; these should be given rather as a token of friendship than as a payment for services rendered. From *Nagel's Moscow and Leningrad*. (Muller; 36s.)

From A Monthly Bulletin, April 1958

Reciprocity the Watchword

Extract from an article by JOHN BIGGS-DAVISON, M.P.

IN the Colombo Plan the U.K. and Canada have shown how aid can be extended within the Commonwealth without loss of dignity or independence. The Colombo Plan is sound business and an example of good Commonwealth relations. The Commonwealth cannot endure as a mutual admiration society. It must be made into a profitable business enterprise providing the means of security and prosperity for all its peoples. If it is reasonable to ask India and any other member of the Commonwealth to restrain their drawings on the Sterling Area's currency pool, they are entitled to be given priority by their more highly industrialised partners, such as the United Kingdom or Canada, in the supply of the capital and capital goods they need.

Australia and New Zealand need stable markets for their primary and secondary production in order that they may increase their monetary reserves, develop their own investment markets, and attract large-scale emigration. India must complete her

From Far East Trade, April 1958

Second Five-Year Plan if she is to play her special part in constructive Commonwealth diplomacy. Pakistan has recently found it necessary to cut spending on imports.

If the Commonwealth as a whole is to prosper and grow, it must match constitutional and political flexibility with the purposeful exploitation of its limitless resources. This may mean the modification or re-negotiation of various international agreements to which Commonwealth countries are party, so that flexible priority arrangements can be made for trade, investment, communications, migration, and other economic activities.

Reciprocity should be the watchword. It should be the object of the Trade and Economic Conference to secure full reciprocity between the partners of the Commonwealth. The stronger the national economies of its members and the more the Commonwealth affords the means of development and diplomacy, the greater will be its power for healing and moderation in a divided and distracted world.

BUTTER—A POSSIBLE SOLUTION

IT would be well worth consideration whether some agreement with New Zealand for the purchase of butter on the lines of our Commonwealth Sugar Agreement might not be a possible solution. No one seems to complain that this is raising the price of sugar to the British housewife. Indeed it has produced what she most wants—sugar at a stable price. Such an agreement moreover might be of positive benefit in keeping the price of butter down when the flood of dumping stops. It is probable that New Zealand would be content with a very modest rise in the present price if her market could be guaranteed and it is possible that such a rise might not even be reflected in the retail price.

From E.I.A. Bulletin, May 1958

Rural Economy

(1) THE OTHER SIDE OF FARM LABOUR-SAVING

BY JORIAN JENKS

SPOKESMEN for British agriculture rightly claim that its productivity record compares more than favourably with that of industry. Since 1939, gross output has been expanded by over sixty per cent, though fewer people are now at work on the land and there is less land available for farming. Output per man, it is estimated, has risen by some eighty per cent, which is no small achievement when the relatively slow pace of agricultural processes is taken into account.

Many of the ways in which this rising productivity has been attained are patent to anyone who travels the countryside with their eyes open. In the fields, more tractors are at work and the implements they draw have been improved greatly in efficiency. Chemical fertilisers, which need little labour to distribute, are used to an ever-increasing extent to push up the yields of crops and grass, while farm-yard manure is nowadays handled almost everywhere with mechanical loaders and spreaders. Chemical weed-killers have largely replaced the man with the hoe. At harvest, a crew of four or five with a combine and drying equipment will deal with several hundred acres of corn in less time and with less effort than they would formerly have expended on half the area, using binders, stacks and a stationary threshing-machine.

At the steadings, one finds milking-machines, modern hammer-mills, sack hoists, Dutch barns and draw-over silos in general use, and on the larger horticultural holdings, mech-

quarries, iron foundries and steel plants, factories of every description, oil-fields and refineries, chemical works, transport, and, of course, salesmanship and servicing.

From an economic point of view, these workers are just as much in agricultural employment as are cow-men and tractor-drivers. They are, as a rule, more highly paid than on-farm workers; and many of the materials they work with—iron ore, phosphate rock and oil, for example—appear on the debit side of our balance of international payments.

Off-Farm Expenditure

A further point which should not be overlooked is that this off-farm expenditure is incurred long in advance of actual production on the farm and to a large extent represents capitalised labour which has temporarily been locked-up. The wages of farm workers engaged in growing and harvesting a crop of corn are paid out week by week and recovered in a few months' time when the crop is sold or fed to livestock. But the thousands of hours of industrial labour embodied in a combine harvester have been spent and paid for before the machine cuts a single round; and ten years may elapse before this labour-outlay is fully recouped.

Obviously, the saving in labour on the farm itself is by no means clear again. It could, quite conceivably, be a factor in maintaining agricultural production costs at their present high level.

One day, perhaps, some enterprising team of economists will ferret out all the details of this off-farm labour and present us with a balance-sheet showing how much industrial man-power is needed to effect a given saving in agricultural man-power.

It should be quite a worthwhile piece of research.

Meanwhile, some rough idea can be obtained by putting an arbitrary but not unreasonable figure on the labour content of what farmers buy. At the last Price Review, the expenditure of British agriculture on machinery operation and maintenance (including fuel) was assessed at £192,000,000 for the year 1957-8. Assuming that each £800 of this expenditure involved the employment of one worker in industry (including mining, oil, etc.) for a year, farmers are now employing 240,000 such workers on making, servicing and fuelling their machinery.

Making a similar estimate for the £87,000,000 spent on fertilisers (£23,000,000 of which was contributed by the taxpayer), we can say that 108,750 workers were employed in providing these.

Labour Saving

It is much harder to calculate, even approximately, the man-power involved in the growing of imported feedingsuffs and the manufacture of 'compound' feeds, and in the production of spraying materials and other minor but far from negligible requirements of modern agriculture. But when all the ancillary services are taken into account, total 'off-farm' man-power indirectly engaged in agricultural production might well be between 600,000 and 700,000—and the number of directly employed, including farmers themselves, is now barely 1,000,000! Has the labour actually been 'saved' or merely transferred?

To pose this question is not to deny that there may have been net gain. There would certainly seem to have been one for farmers, at any rate in a financial sense; otherwise

they would hardly have invested so heavily in machinery and other aids to production. But it may not have been so large as is commonly assumed. The cumulative effect of skillful salesmanship has undoubtedly been a factor, as has been the reluctance of most farmers to be thought backward in adopting new equipment or ideas. There are fashions in farming, as in much else, and mechanisation has been very much in the fashion of recent years.

There has also been much official encouragement, such as generous tax allowances for expenditure on equipment and a subsidy of 33½ per cent on nitrogenous and phosphatic fertilisers. There are no tax allowances or subsidies for farm labour or on the farmyard muck and other organic manures still generally recognised as vital to the well-being of the land.

'Off-farm' expenditure on machinery, fertilisers and feeding-stuffs alone now amounts to some £630,000,000 a year, and one sometimes hears it hunted that this is too big an outlay for agriculture to make in the face of falling market prices and contracting government support.

(2) U.S. LOSES 1½ MILLION ACRES YEARLY

EVERY year in United States 1,250,000 acres of farmland are taken out of cultivation for housing developments, shopping centres, airports, factories, highways, etc.

In reporting this figure, the United States Department of Agriculture says Connecticut has lost thirty-three per cent of its original cultivatable

Certainly it is some time since one heard the boast that 'ours is the most highly mechanised agriculture in the world'.

Home-Grown

Be that as it may, there is one conclusion which seems inescapable. It is that money spent on home-grown food, whether through market prices, deficiency payments or outright subsidies, nowadays benefits British industry quite as much as it does British agriculture. Farm purchasing-power not only helps materially to maintain full industrial employment; it helps to underpin export trade by providing a steady and extensive home market for certain important sections of industry, notably mechanical engineering and chemicals. It has, indeed, been urged by advocates of Free Trade that farmers would stand to gain at least as much by the removal of tariff protection from the industrial products they buy as they would stand to lose by the abolition of the price guarantees. But this argument, whether valid or not, seems to receive little support from farmers themselves.

(3) THE AGRICULTURAL SYSTEM OF SIGNOR DEL PELO PARDI IN ITALY

BY PEGGY GOODMAN

It is a general complaint today that men shirk responsibility; they want shorter and shorter hours, and more money and more leisure, and someone else must do the planning of their lives! Yet I know a certain Italian agricultural expert who can electrify the most discouraged agricultural workers with a new-born sense of responsibility for the maintenance and increased fertility of the soil on which they work.

He instills confidence and enthusiasm because he can show an answer to the most frightening problem which can confront a people struggling to earn a livelihood from the soil—he can cure erosion!

A fertile soil is the basis of civilisation. In South Italy there are soils so fertile that, after possibly more centuries of unbroken cultivation than any other part of the continent, they still produce today the most wonderful crops. They are unrivalled for flavour, quality and quantity.

A Personal Visit

On a wonderful Spring day, when the peach blossom was at its best in the orchards, I was motored through this amazing country by Signor Del Pelo Pardi, travelling from Naples to Ariano-Irpino, a small but very ancient town, 800 metres up in the mountains of Irpinia.

We passed through a long fertile plain, where peasants—both men and women—were toiling, mostly with hand implements, some with the help of white oxen, or of small horses. In this rich soil, life is still hard, and the monetary returns meagre, even today

when refrigerator trains go direct to London, and Paris, and Berlin.

Reforms are long overdue, both in the nature of political and legal changes, as well as in the system of agriculture itself.

As we began to climb higher and higher into the mountains, the country rapidly got poorer, bare treeless slopes stood out dry and dusty, and wide river beds in the valley told of the swirling torrents which washed down precious soil, and fanned out vast beds of stones and boulders.

Soil Erosion

On the hillside soil erosion began to manifest itself everywhere. Cracks and fissures in the ground gradually increasing to great yawning gullies, towards which one had the feeling the steep little grassy slopes with their lovely pink peach blossom were imperceptibly sliding, drawn as though by some magnetic attraction down, down into the valley below.

One did not need to be long in the little mountain town to understand the poverty of the people and to sense the dogged fight they were putting up against the seemingly overpowering forces of nature.

It was a relief to arrive at the Del Pelo Pardi experimental farm and to start to learn what might be done to alleviate their lot. The farm extended over 150 acres, on undulating high ground which was treeless and wind-swept. The farms on both sides manifestly had great difficulty in raising a worth-while crop of wheat. The marks of the horses' ploughing

From Rural Life, March 1958

From I.F.A.P., March 1958

had sunk deep into the ground, as did our feet when we approached anywhere near the little trickles of muddy water which gathered down any slight incline, frequently washing soil and stones half-way across the highway—these crops had been heavily dressed with fertilisers, but in comparison with the wheat on the experimental farm, they were puny, and the land itself weed-infested.

Ploughing

Signor Del Pardi showed me how he went to work with a Ferguson tractor, and special implements of his own design. He divided the land into ploughing units of ten metres, and his special plough turned the soil so that working from the centre outwards and ever deepening as it went the land was left rounded like an inverted saucer. Then the headlands of those ploughing units were canted slightly inwards; so that a natural water course was made all round the unit, which drew off surface water, after rain, so gently that it did not wash away the top soil with it, as had previously been happening.

There were various other technicalities, and it was obvious that his ploughmen were no novices at the job. By using a form of cultivator of his own the hard plough-pan frequently left from previous cultivations could be dealt with, so that the surface *below* ploughing depth was broken up in such a manner that it took on the conformation of the surface proper, and irregularities were eliminated so that water could no longer lie in stagnant pockets, poisoning the vegetation.

Special tracks for carrying off the crops had been constructed with a good camber to prevent water lying on them. Next, cherry trees were planted beside the tracks or to mark

the lines of water courses and vines set between them.

Besides all this, cunningly constructed causeways had been built out of the silted boulders and stones so that they caught and trapped the shifting soil as it slipped down these miniature gullies, and it was further arrested by the use of special herbage which bound the soil together, securing it in its place.

Signor Del Pardi travels all over the country, lecturing to the peasant proprietors of Italy: those indomitable toilers, who struggle with their primitive methods, working harder, and still harder, as they see their precious soil disintegrate and fail to yield them a livelihood. Despairing—they fail to realise that the remedy lies in their own hands!

Revival

His lectures and the demonstrations with the Ferguson tractor produce more than a revolution in agriculture; the workers themselves are rejuvenated, and inspired with faith and courage. They are grateful and a sense of responsibility and a spirit of mutual co-operation is engendered which deserves no less a name than spiritual revival.

The system is simple to understand, once it has been seen in operation. It is modest in cost also. It attracted the attention of American experts, and that resulted in funds being made available under the American loan to Italy, to further his work, also to produce a colour film which can be hired in this country. Signor Del Pardi favours the Ferguson tractor, which is strong and light, but there is keen competition for it now in Italy. The same results can nevertheless be achieved by the poorest peasant, working with his team of oxen or

horses, even toiling with a rake and a mattock—provided the system has been clearly understood and intelligently applied. The text book, which it is hoped may be published here in English either before or shortly after he comes over here to give a course of lectures, is fully illustrated, and contains clear diagrams regarding the layout of the ploughing unit, etc. It is written in very simple language, that the peasant farmers themselves may study it with ease. There are also, a number of pamphlets on technical problems more suited to the agricultural experts. Besides short courses for the farmers, Signor Del Pardi runs special residential courses for the expert and the technician.

Many of these have been won over to his system in recent years, and work in friendly co-operation with him, but the Government, while approving of his methods in principle will not or cannot raise the money to extend it in general. It is the experimental farms which he patiently is building up, which, to use Sir Albert Howard's phrase, 'Write the answer on the land!'

To quote from the text book in conclusion—'Good production from the land does not depend entirely on soil condition, aspect, means of cultivation, and capital outlay, but also on the intelligence, capability, willingness, and honesty of those who cultivate the soil.'

Note on Shipping

THE supply of shipping is at present in excess of demand; freight rates have fallen sharply, and in consequence an increasing number of ships have been laid up.

The world shipping fleet has increased substantially over recent years. Between 1952 and 1957 the world tonnage of steamships and motor ships increased by 20 million gross tons (22 per cent) to 110 million gross tons; the world fleet of oil tankers by 10 million gross tons (50 per cent) to 30 million gross tons. The greatest increases are attributable to 'flags of convenience' countries, notably Liberia, but over the period the British fleet increased by 1.2 million gross tons of which 1.1 million gross tons were oil tankers. Britain is the largest owner of active

merchant ships in the world.

During 1957 alone the world fleet increased by 5 million gross tons. This new tonnage accentuated the present surplus of shipping and it has been reported that some vessels delivered new from foreign shipyards have been unable to find employment at remunerative rates.

There are at the present time about 34 million gross tons of ships on order or under construction in the world, about 6 million gross tons being for British owners. There have been a number of cancellations of orders for new ships in recent months but it is difficult to be precise about the extent of these. There have been relatively few cancellations of orders placed in British shipyards or on behalf of British shipowners.

From Bulletin for Industry, April 1958

Towards Greater Human Freedom

By HEINRICH DEIST
Member of the Bundestag

THE Federal Minister of Economics recently started a new campaign: Germans should work one hour more. He used the unfortunate phrase at that time that a reduction of working hours is a luxury which we cannot afford. Well, what is the real picture?

Here are three statistical figures: First, the national product of the German economy showed an increase of 5 per cent in 1957. This constitutes a considerable achievement which is not reached by all modern industrial countries. Secondly, the output of the economy in relation to individual working hours increased by 4.5 per cent, and the average hourly wage by 7 per cent. We should not forget, however, that the cost of living increased by 3 per cent in the course of one year, i.e. the Mark has lost in value by 3 per cent. An increase of 7 per cent in hourly wages corresponds therefore to a real increase in incomes of 4 per cent; this increase in real wages is even less than the increase in material output per man hour. Thirdly, the output per man hour increased by 4.5 per cent; through a reduction in working hours we lost 3 per cent, i.e. in spite of a reduction in working hours the economic output per man grew by 1.5 per cent. The reduction in working hours was consequently more than compensated for by an increase in production.

Outstanding Achievement

What is the result of these facts? When the working hours for a large

number of industrial workers is suddenly reduced from 48 hours to 45 hours per week, this reduction may cause the economy some difficulties to which it will have to adjust gradually.

But these figures prove that the production of industry not only increased by 5 per cent, in spite of a reduction of working hours and an influenza epidemic, in the past year, but the whole economy expanded by 5 per cent. While almost 50 per cent of all workers worked only 45 hours a week, this reduction in working hours was easily overcome by the economy, without doing any damage or even creating great difficulties. This is an outstanding achievement on the part of management, labour, the free professions, in short of all those who participate in our economic system, an achievement which actually gives us cause to be proud.

It is not a sign of narrow-mindedness when this achievement is underestimated and minimised as it often happens in Germany. Will this sort of depreciation not call up a suspicion or at least expose itself to the suspicion of showing a lack of concern for the welfare of the community?

An Important Problem

And this brings us to an important problem. We are in the midst of a great political conflict in the world, between East and West. Germany is a small country, but it lies on the dividing line between East and West, and the West will be able to win this

From News from Germany, April 1958

conflict only if it can prove that it is capable of creating a better social order than the East. A better social order is not synonymous with a greater degree of material well-being. We are not sure whether material well-being will always be greater in the Western countries. Not, are we certain that the West will always achieve greater success in the realm of the intellect, that is, in the areas of research and development, in comparison with the East.

A Really Liberal Order

Since a Russian Sputnik is circling the earth, we should have been cured of this arrogance. The West will be able to hold out in this conflict only

if it guarantees a really liberal order, not only free enterprise, not only freedom of movement for a few, but the freedom for every individual to independently do and leave undone what he desires. The individual needs leisure, before he can dedicate himself to nature, cultural things, and all those small human joys which alone make life worth living. He needs genuine human freedom which permits him to find himself, independent of the fact that he will always be ensconced in the rhythm of work and the economic system. Only by securing this human freedom, shall we succeed in the conflict between the West which is free, and the East, which is not.

Reader's Commentary

FROM W. A. WILLOX, Edstone, Wootton Wawen, Warwickshire.

Miss Corke's apt comments in your April issue may be helpfully summarised by the statement that, as financial accountancy now operates, money-prices are generated faster than money-incomes. It is strange that, although modern industry employs highly educated mathematicians to devise its machinery so that production may take place with the utmost efficiency, such specialists are not employed to devise a money

accountancy system that will assure an even rate of flow of prices and incomes.

It is worse than useless—it is destructive—to produce more than can be consumed. Yet that is what is now occurring and causing the embarrassments and strife that afflict us—and it is all due to a defective accountancy system that provides people with chronically deficient purchasing power.

BOTH Africans and Europeans depend on each other, and both on the Asian with his wide ramifications of trade and his increasing development of small scale industry. If mutual confidence could be substituted for these growing fears, there would emerge a period where each community could draw on the experience and knowledge of the other and, through a sharing of the burdens of Government, arrive at the solutions best suited to the advancement of all.

Extract from a speech by the Governor of Nyasaland, Sir Robert Armitage, at the Rhodesia and Nyasaland Club, London, on April 15, 1958

Digest Reviews

DO WE SPEND LESS ON EDUCATION?

The Cost of Education, by John Vaizey, with a foreword by Professor Titmuss. Published by Allen and Unwin; 30s.

Two years ago the Economic Research Council put forward a proposal for research to discover how much had been spent on education in the United Kingdom since 1920. As far as the Council was aware, no up-to-date and full-length study had been made of education costs, and this was felt to be a serious omission.

Professor Titmuss, of the London School of Economics, was therefore approached. Discussion followed and Mr John Vaizey agreed to undertake the necessary investigations and to produce a full-length study of the subject. The Economic Research Council agreed to make the necessary funds available.

This important work has now been published and as a result of Mr Vaizey's efforts the essential facts are now available. Professor Titmuss comments in his foreword:

'If "social" expenditure, like school meals, milk and the health service, is excluded from the calculation, then expenditure in 1955 was a lower proportion of the national income than in the pre-war years from 1931 to 1935. Expenditure until 1950 was a lower proportion than in almost any pre-war year. This is a striking and melancholy conclusion'. As a result of the publication of this work there can, as Professor Titmuss also points out 'be little excuse now for inept generalisations about the burden of education'.

AFRICANA

The White Fathers, by Glenn D. Kittler. Introduction by Bishop Laurian Bugambwa. W. H. Allen; 25s.

African Tapestry, by Margaret Trowell. Faber and Faber; 21s.

If, as is suggested on the flyleaf, Mr Kittler's is the first record of an heroic Order which has done much for the economic as well as spiritual advancement of Africans, it is not worthy of a great subject.

The dynamism and spirituality of its founder, Cardinal Lavignerie, is well portrayed in vigorous prose; but it is irritating to read dialogue attributed to him and others when much of it seems to be reconstructed or fictitious. There is no explanation of this apparent excess of author's licence. Nor is there any list of authorities and sources. The historical background is superficially sketched and the author's prejudice against Colonial Powers may put off many European readers. Thus Mr Kittler writes, *à propos* of the Gold Coast, of all territories:

'Colonial officials had not been sent to Africa to deplete the London treasury, but rather to enrich it. The same was true of men from Paris, Brussels, Lisbon and Madrid.'

African Tapestry has fewer pretensions than *The White Fathers* but exhibits a charming pattern of the African experiences of a Ugandan doctor and founder of the School of Art at Makerere, the University College of East Africa. Mrs Trowell writes of a time when old tribal ways and courtesies are giving place to the claims and suspicion of those who have now

'plucked the fruit of the tree of

knowledge, and having once tasted ... cannot hold back'.

Humour and a light touch are combined with a serious perception.

SAHARA

The Golden Trade of the Moors, by E. W. Bovill. Oxford University Press; 30s.

The oil and other riches of the Sahara, the new secular *jehads* backed by Soviet influence, the struggle for hegemony in North Africa, and the advance to autonomy and independence of French and British territories along the West Coast of Africa have drawn the attention of the world to lands about which Mr E. W. Bovill wrote in his classic *Caravans of the Old Sahara*.

This is no mere revision of the earlier work, in which its author demonstrated the racial and cultural connections established by the caravans between the dwellers north and south of the desert, between Kano and the Mediterranean, and also brought out the importance of the Western Sudanese to the evolution of civilisation. This new book introduces new knowledge Mr Bovill has gained of Barbary and traces the influence of the great caravan routes on the region where Roman succeeded Carthaginian and other overlords have succeeded them. This is economic history at its best, scholarly without pretentiousness, thoroughly readable, fully equipped with maps ancient and modern.

It is fascinating to learn that, contrary to the impressions of many, the North African climate has probably changed little. What made the difference between Roman and later times were the aqueducts, dams and cisterns, which were destroyed

by the locust swarms (Ibn Khaldun's phrase) of such as the Hilalian Arabs, whom the Fatimite Caliph of Cairo diverted to the *Maghreb*. Mr Bovill explains how the climate and rigours of the desert have caused decisive incursions and explains that the reason for raids was usually economic, not lust for spoil and conquest. The Almoravids, who ruled from the Ebro to Senegal, were exceptional.

Credit is given to the Islamic contribution to Western as well as their own Eastern civilisation. Geography and navigation the Arabs enriched. Their history was of raids and journeys and of the *Hadjj*, the Great Pilgrimage to Mecca.

'Inspired by the works of Ptolemy, which the Christian Churches had translated into Arabic, the Arabs were quick to develop an interest in foreign lands, which the vast extent and cosmopolitan character of the Muslim world stimulated and nourished. Throughout the length and breadth of Islam the Muslim traveller was sure of a welcome wherever he went, and the same hospitality awaited him among isolated Muslim communities in infidel lands. There is no more striking example of the extraordinary breadth of the Muslim horizon than an incident in the life of that great traveller Ibn Battuta. While staying in Sijilmassa, in southern Morocco, he discovered that his host was the brother of a man he had met some years before in western China.'

But Muslims like other shepherd conquerors were subverted by the ease and culture they created or overran. To this the Almoravids were no exception. Jews of the Maghreb, of the *mellahs* of Barbary, were also travellers and geographers. As for the medieval Christians, they were

tolerated in a few towns such as Marrakech and even soldiered, like Chaucer's Knight, in Muslim armies; prevented from interloping, they remained largely ignorant of the North African littoral which the Romans knew and with which the Italian republics traded.

By the beginning of the fifteenth century, however, growing trade and religious wars had depleted European reserves of precious metals. The question whence came the Barbary gold became of first importance. Europeans penetrated the Sahara. Portuguese navigators discovered Guinea.

The opening of Africa by European exploration, missions and empire building, the story of the slave trade with the Americas and the solution of the Niger problem are better known than what went before. Of the disintegration of the Niger communities by Moorish conquest, of the veiled Tuareg, black and Fulani empires, the overrated Timbuktu (was not Jenne a greater centre, in intellectual as well as commercial terms?), Mr Bovill paints a gorgeous picture, as clear as the obscurity of the times allows. When British and European philanthropy and power suppressed the slave trade and the long sea routes competed, the caravan routes decayed. Today the Europeans are again on the defensive whereas Muslim faith and influence is spreading in regions which afford resources as vital as ever before. And Ghana has reappeared—in another part of West Africa.

A STABLE £ STERLING

The Control of Inflation, by J. E. Meade. Cambridge University Press; 5s.
Professor Meade delivered his

inaugural lecture at Cambridge on March 4th, 1958, and in this fifty-two page book the text of that important contribution to current economic problems is made available. He makes a number of positive suggestions by which the Government might put a stop to continued price inflation. His main recommendation is that the Government should commit itself to a policy of using its powers of financial policy so as to maintain the highest possible level of demand for goods and services compatible with the prevention of a precisely defined price index from rising above a precisely defined ceiling.

He concludes with a warning that inflation may give place to deflation in the not too distant future, but considers that his proposals would equally counter deflationary and inflationary trends.

QUEEN OF CONTINENTS

Europe: The Emergence of an Idea, by Denys Hay, M.A. Edinburgh University Press; 12s. 6d. (Edinburgh University Publications; History, Philosophy and Economics Number 7.)

'Europa' went in a hexameter line; 'Christianitas' did not. This was among the reasons for the replacement of the first term by the second. So was the rise of nations and of Protestantism in many shapes. 'Christendom'—the Western world of earlier times, was superseded by 'Europe'. Europe, heir to a religion eumenical in its aim, circumscribed in place and time, achieved in the eighteenth century of scepticism a unity, albeit temporary, previously denied to Christendom. The name of a continent reaching, some said, to the Urals, including Turkey for some

and for others Russia-in-Europe, became the symbol of an idea.

The Professor of Medieval History at the University of Edinburgh here traces the germ and growth of this idea. It has particular power and a special rôle today. Scholarship is combined with an easy style of writing and the book is delightfully illustrated.

ENLIGHTENED SELF-INTEREST

Economic Development, by Charles P. Kindleberger. McGraw-Hill; 50s. 6d.

This is a useful addition to the *Economic Handbook Series* by the Professor of Economics at Massachusetts Institute of Technology. The book deals mainly with the problem of how to get development started in under-developed countries, and how to keep it going once it has started. The early part synthesises economic and social theories dealing with economic development, and the main section covers problems arising from current economic development.

The author concludes that the have-countries have a long-run political interest in assisting the have-nots to catch up with their economic development and that some equalisation of incomes among nations is needed. He says: 'Developed country support for developing nations with no strings other than its efficient use is enlightened self-interest'.

DOWN UNDER

Pommie Migrant, by Sydney Hart. Odhams; 18s.

An entertaining account by an ex-naval stoker who set out as a bachelor migrant to build a new life in Australia. He recounts his efforts to earn a living at the coalface, his whirlwind courtship of a British girl

he met on the outward journey, and his shock at finding the early closing of licensed premises and the comparatively primitive conditions in the bars where drinks are served. He writes with humour and is ready to praise or criticise when he feels it necessary. This is a book which could be read with profit by those thinking of emigrating 'down under'.

LONDON PRIDE

A History of London Life, by R. J. Mitchell and M. D. R. Leys. Longmans Green; 25s.

Here is a fascinating account of the development of London from the earliest times right up to the formation of the London County Council in 1888. The authors have made a first-class job of selecting material from many sources, some of it hitherto unpublished, and the result is a picture of London life and people rich in variety and full of interest. The book is profusely illustrated with reproductions of engravings and photographs which the authors have used with skill and imagination, so that they form an integral part of their story.

SHORTER NOTICES

National Ambitions, by J. R. A. Baily. Basil Blackwell; 25s.

How are national ambitions formed? The author seeks to answer this question by showing how European nations have formed their ambitions over the last three thousand years from the time when European records began. He comments: 'This essay suggests that human development could, if we do not commit suicide, continue as indefinitely as time itself'.

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).

International Finance

Trade Policy in Crisis by Raymond Vernon, published by International Finance Section, Department of Economics and Sociology, Princeton University.

No. 29 in the series Essays in International Finance. (1986)

Free Trade Area

The O.E.E.C. and the Common Market by Marc Quin, published by O.E.E.C.

Sets out the reasons why Europe needs an economic union of seven-teen countries. (1987)

A Decade of Co-operation—Achievements and Perspectives. O.E.E.C.

The story of the action taken and the results of co-operation in O.E.E.C. over the last ten years. (1988)

P.E.P.

The Debate on Sterling. P.E.P. (2s. 6d.)

Sets out the criticisms of the existing system and the defences that these criticisms have aroused. (1989)

Chinese Survey

Resurgent China by Sir Alwyne Ogden, K.B.E., C.M.G.

Surveys the struggle for power in the Far East. (1990)

Land of Opportunity

British Guiana 1958. Ministry of Trade and Industry, Government of British Guiana.

Surveys the resources, people and development of trade and industry in British Guiana. (1991)

Report from Uganda

Uganda Electricity Board. Annual Report for 1957.

The tenth annual report issued by the Uganda Electricity Board, reports a steady and indeed spectacular growth in consumption. (1992)

Trade in 1957

Overseas Survey 1958. Barclays Bank, D.C.O.

Covers the trade and economic conditions which prevailed during the year 1957 in the overseas territories in which the Barclays group of banks is represented. (1993)

Digest Spotlight focuses on

Antoine Pinay

IN THE new French Government General de Gaulle has kept all the main portfolios in his own hand—with one most important exception, that of Finance. This he has entrusted to M. Antoine Pinay—a Republican of moderation, belonging to what the Committees of Public Safety have stigmatised as 'the system'.

He was born in 1891 at Saint-Symphorien-sur-Coise in the Rhône department. His father made hais. Antoine was educated at the Saint-Chamond Lycée (Loire) and by the Marists. He is a practising Catholic. He fought for France in the war of 1914 as an artillery N.C.O., was wounded on the Somme and won the *Medaille Militaire* and *Croix de Guerre*.

A member of the Foulletier tan-neries, M. Pinay brought an industrialist's view to politics. In 1936 he was an 'Independent Radical' Deputy, in 1938 Senator for the Loire and an adherent of the group known as *l'Union démocratique et radicale*. When the defeated Third Republic gave place to the Marshals, *Etat français*, M. Pinay, who was one of the 569 parliamentarians to vote him into power, supported the Pétain régime and was among those picked out in January 1941 for the ephemeral National Council.

But M. Pinay's conduct as mayor under German occupation relieved him of the ineligibility for the service of the Fourth Republic imposed upon many adherents of Vichy. From 1946 until 1951 he represented the Loire in successive Assemblies

and became a member of the Finance Committee. He belonged to the Independent Republicans and became Vice-President of the Democratic Alliance, of which the late M. Flandin was President. Junior Minister for Economic Affairs in the first Queuille administration, M. Pinay was Minister of Public Works and Transport in M. Plevin's first Cabinet (1950) and served in all the succeeding Governments. He concerned himself with the reorganisation of the State railways, now much admired abroad, and the co-ordination of transport services.

In 1955 M. Faure sent him to the Quai D'Orsay. A much-travelled Foreign Minister, he introduced regular conferences of heads of departments, and demanded that drafts and telegrams should be shorter and less subtle!

Rather ordinary-looking, modest in demeanour and manner of life, pipe-smoking, no great orator, but erudite, a lover of books, particularly on Art and History, and a connoisseur of period furniture, Antoine Pinay's tenure of key office under General de Gaulle has given confidence to the nervous bourgeois. His economic thinking is orthodox and unadventurous. Those moreover in France and elsewhere who doubt the General's enthusiasm for European Union and the Atlantic Alliance have taken as comfort the knowledge that France's Finance Minister is less anti-American than a great many of his compatriots and was a supporter of the E.D.C.