

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.

Classified Advertisements

(RATE: two shillings per line.)

Forthcoming Meetings

Economic Research Council. Thursday, 6th March. — Speaker: Mr A. A. Shenfield, Economic Director, Federation of British Industries, 55 Park Lane, W.1. 8.15 p.m. For further details apply Secretary, Economic Research Council, 55 Park Lane, W.1.

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)

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 'Bizoner', 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.)*

Commonwealth Survey

(1) THE STERLING AREA

CRITICISM may more reasonably be directed against some of the policies that have been pursued within the Sterling Area than against the mechanism of the system itself. Looking back on the twelve years since the war, it is clear that financial policies have too often been in conflict with economic realities. As a legacy of the Keynesian economic thinking of the 1930s, policies have been framed to avoid deflation whereas inflation has been the real enemy. In spite of a universal shortage of capital, cheap money has been the vogue for long periods at a time. The failure to fund any part of the sterling balances accumulated during the war (however understandable the reasons) has been a constant threat to the central reserves and in some sterling countries freedom to draw at sight has served to mask a serious imbalance in their external trade and payments account. Easy resort to 'deficit' financing for industrial development schemes, and neglect of purposive agricultural policies, have helped to prolong balance-of-payments difficulties.

It is not the machinery of the sterling system that has been at fault so much as the carefree economic philosophy of some of the members of the Sterling Area, from which condemnation we would not exclude the chief of them. Experience has shown that when Sterling is weak or endangered all share responsibility in greater or less degree. By the same token each and every member of the Sterling Area has an overriding interest in preserving the stability of sterling as its common currency and

maintaining the smooth working of the system.

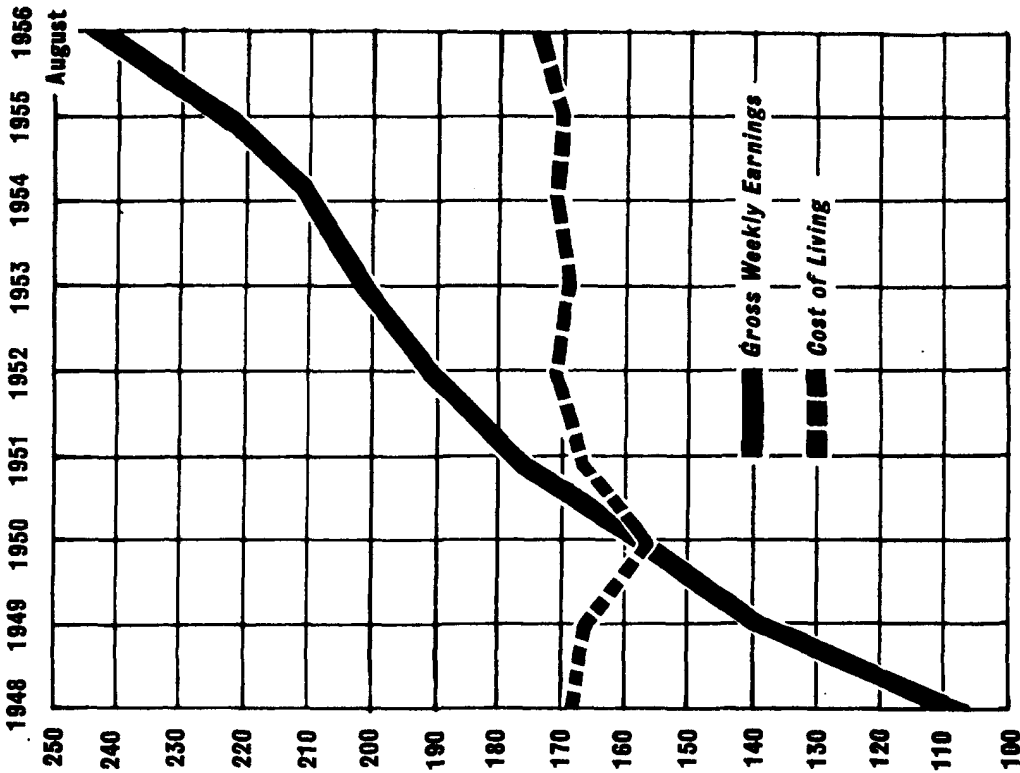
War-time Liabilities

Throughout the present controversy there has been a failure to distinguish between currently incurred liabilities and the deadweight of sterling debt accumulated during the war, for which the sterling system as such is in no way responsible. Had there been no sterling area in 1939 the U.K. would still have been under the necessity of arranging deferred payment terms, in some form or another, for her wartime supplies. If the sterling area reserves are now weak it is largely because they have had to sustain the burden of convertibility of these deferred wartime credits. It will be recalled that the Americans pressed very strongly for a scaling down, or at least long-term funding, of the sterling balances in 1946 and, in retrospect, it is clear that those who argued in favour of a cancellation of all inter-allied debts after the first and second world wars were not entirely guided by mistaken ideas of philanthropy.

Voluntary Restraints

Even if such a course was within the compass of practical politics (which we would beg leave to doubt) this is certainly not the moment to talk about withdrawing from the responsibilities of leadership of the Sterling Area, though it may well be that the time has come to overhaul some of the policies which have been pursued by individual members in the past. If, as seems probable, we are witnessing the onset of a moderate

From The National Overseas and Grindlays Review, January 1958



COST OF LIVING FIGURES AND WEEKLY EARNINGS IN THE FEDERAL REPUBLIC OF GERMANY

The above chart shows how the gross weekly earnings of all industrial workers rose (1930 = 100) from 109 in 1948 to nearly 250 at the end of 1956. Only a very small proportion of this wage increase was absorbed by higher prices (Index 1938 = 100; second half-year of 1948 = 168; end of 1956 = 178).

From 'Prosperity Through Competition', by Ludwig Erhard. Reproduced by kind permission of Messrs Thames & Hudson. (See pages 65 and 77).

recession in the U.S.A. with a consequent contraction of world trade, the countries of the outer sterling area may well be more disposed to accept voluntary restraints upon their gold and dollar expenditure than would otherwise be the case. None are likely to accept any restriction upon their monetary sovereignty and the idea that the Sterling Area can again assume a discriminatory character, which has been canvassed in some quarters, is not even a starter in our judgment.

An International Payments Mechanism

But, if chronic or recurring dollar imbalance is to be a permanent aspect of life in the non-dollar world, few of the members of the outer sterling system are likely to improve their dollar position by breaking the link with sterling and going into business on their own account, so to speak. It is, in fact, the pattern and character of the trade of the Sterling Area which articulates the system as an international payments mechanism. Much of the overseas trade of Sterling Area countries is with other Sterling Area countries. India is a case in point: two of her principal exports, tea and cotton textiles, sell very largely to the United Kingdom, the Dominions and the Colonies. Comparable markets elsewhere would not be quickly found. It is possible to quote examples from other Sterling Area countries whose freedom of choice as to trade and payments is

in practice not as wide as is popularly supposed. In fact, the customer in many instances has very sound practical reasons for not wishing to change his banker.

Commercial Banking Enterprise

Participants in the current Sterling Area debate have talked about Britain's 'over-extended international banking business' into which terms every kind of financial transaction is seemingly to be lumped. Presumably they will allow a distinction to be drawn between the sterling balances which lie in London as the residue of wartime liabilities, or the administrative arrangements of the former dependencies, and those other funds which come to this country as the result of British commercial banking enterprise in the Commonwealth and other parts of the world. The one may well be regarded as an embarrassing but inescapable legacy of the past, but it can hardly be argued that the working balances garnered by the exchange and overseas banks, and used to finance the operations of trade and commerce, fall under the same classification. As has been contended, there may be need to examine some of the implications for the central banker of the sweeping changes that have taken place in the Commonwealth and the Sterling Area in the last ten years; but it would be a strange kind of logic which would argue therefrom that British commercial banking is over-extended and ought to be restricted.

(2) THE FUTURE OF THE STERLING AREA

By EDWARD HOLLOWAY

TO STRENGTHEN the sterling area we need to give official recognition to the facts of the situation. These are entering into nearly 50 per cent of

Extract from an article published in Machinery Market, February 13th, 1958

world trade, and (2) sterling circulates internationally and is backed therefore not only by Britain's ability to produce goods and services, but also by the vast quantity of goods and services produced for export throughout the entire sterling area.

Means should be found to demonstrate these facts to the rest of the world. International sterling is in reality backed by the vast resources of the Commonwealth sterling area, and is therefore a currency of considerable actual strength, and of even greater potential strength. It would probably be a mistake to take steps to alter the day-to-day management of the sterling area through the Exchange Equalisation Account. The successful handling of the exchange rate of sterling in highly adverse conditions is a remarkable achievement, to say the least. To re-inforce the work of the Exchange Equalisation Account, a new Treasury department should be established to keep stable the internal value of the £ sterling.

Sterling Advisory Council

To demonstrate the fact that the resources of the sterling Commonwealth countries are behind the sterling area, a STERLING AREA ADVISORY COUNCIL should be established. This would be a consultative body, comprising the Finance Ministers of the countries concerned. They would meet at regular intervals to discuss problems arising from the use of sterling in international trade, and would make recommendations to the home Governments in the light of the needs of the prevailing situation. Every sterling area country has a vested interest in the preservation of the group, and stands to gain by the increased strength of sterling. No compulsory powers are needed

when common interest dictate policy. 'Nations are like individuals; make it to their interest to do what is right and they will do it.' Thus wrote Admiral Lord Nelson many years ago, and his words should be heeded today.

One of the tasks which is of prime importance is an over-all survey of the actual and potential wealth of the Commonwealth. Such a survey might well be sponsored through the proposed Sterling Area Advisory Council. This plan would give substance to the facts of the situation. International sterling would be seen in its true light, an international currency backed by immense resources of man-power, materials and skills. The possibilities of expansion of production and the existence of huge markets far surpassing that of any other nation or group of nations would have a stabilising effect throughout the entire world.

Canada's Role

For geographical and historical reasons the most wealthy of the Commonwealth countries—Canada—uses dollar currency. The fact that Canada calls her currency dollars is after all only a man-made convention, but has, nevertheless, had a weakening effect on trade between Canada and Britain. To bring Canada into full partnership with the rest of the Commonwealth we need to concentrate on the establishment of balanced trade between us. The recent initiative shown by the Canadian Prime Minister, Mr Diefenbaker, is one of the most encouraging developments since the end of the war, and every possible step should be taken to facilitate his proposals.

Once trade between Canada and Britain was established on mutually satisfactory and reciprocal exchanges

of goods and services, our balance of payments problem with Canada would tend to disappear. There would then be nothing to stop Canada adding her immense resources to back the sterling area. By this means, and possibly by joining the Sterling Area Advisory Council, the final touches would be put to sterling as a currency of unassailable strength, an asset to the whole world.

(3) AN ECONOMIC RESEARCH INSTITUTE FOR NEW ZEALAND?

To a large extent the report of the Monetary Commission is already history. Its immediate practical impact spent, its findings are utilised principally to provide quotations for political speeches or as source data for theoretical economic theses on a variety of subjects.

However, one recommendation of the Commission which appears likely to be implemented is the suggestion that an economic research institute be established in New Zealand. Support for the establishment of such

From The N.Z. Accountants' Journal, December 1957

SPOTLIGHT continued

Erhard', and there was great pressure from trades unions and other groups demanding the re-implication of rationing and price control. Erhard resisted these pressures, and maintained that his plans would achieve results. They did; prices came down, he made tax reductions for those who wished to build factories and for exporting firms, he abolished controls and gave the maximum encouragement to producers at all levels to go ahead. The results of this policy are there for all to see.

Erhard is not bound by conventional thought in economic and political matters; he has a flexible mind, and has brought enormous energy and the results of exhaustive research to bear on the problems of production and consumption in the modern world. His success is not

only due to his ability in formulating policies, but also to his capacity for making these clear to the man-in-the-street. He has addressed meetings all over Western Germany and he has made full use of advertisements appearing in the chief West German newspapers to underline the need for relating increases in wages to increased capacity to produce wealth.

Professor Erhard's whole life has been bound up with economics. He works hard and plays little. Abroad, he is probably Germany's best-known official, next to Dr Adenauer. He is a firm opponent of monopolies and cartels and his policy aims at increased output, increased consumption and steadily rising standards of living. His book should be studied by all those who have similar aims, and who has not?

A Policy of Expansion

BY ROY HARROD

WE MUST have a policy of expansion. Fears have been expressed that this, by requiring more imports, will endanger our external balance. There are two questions here, foreign confidence and the balance of trade. Gold losses in the summer had nothing to do with the balance of trade, but were solely due to loss of confidence following on the French franc crisis and the German D-mark problem.

It must be added that there was a background lack of confidence owing to the erroneous view, widely held at home and abroad, that Britain is more the victim of inflation than her competitors. The consequence is that the Government's degree of firmness on the wages question may be determined not solely, as it should be, by an absolutely just and objective appraisal of the actual wages situation, but by the knowledge that foreign eyes are riveted upon our wages structure and that every wage increase will cause a sale of sterling by them.

Foreign Confidence

I hold that the time has come when we should cease to be deflected in our own policy by the attempt to gain foreign confidence. We are very bad at doing that in any case. We should work on the basis of our net reserve, which is admittedly very low, and be indifferent to the ebb and flow in the foreign holdings of sterling balances. We should not think of our gross gold holding, but of our gold holding

minus sterling balances outside the sterling area. Foreign opinion does not know what is really good for our internal economy, and we only do ourselves harm by courting it.

Balance of Trade

Turning to the actual balance of trade, this has been favourable in the last year, despite Suez, but not so favourable as we should like to have it, owing to our debt commitments and our desire for a surplus for overseas investment. However, with the recent reduction in the price of our imports, it should be from now on quite as favourable as we need, if other things remain equal. But other things will not remain equal. The world fall in primary commodity prices is bound to hit back on the volume of our exports. If we maintain our present restrictive policy, that implies indifference to the gathering forces of world recession; we are in danger of nursing our favourable balance only to find it swept away by the forces of world slump.

Wiser Course

On the contrary, if we go back to the policy of expansion and use our favourable balance to import more in order to sustain our factories at full blast, then we shall be making our contribution, and the Americans are coming along the same way, to preventing the world slump happening. That is a much wiser course.

Extract from the 'Dallas Lecture' delivered to the Glasgow Junior Chamber of Commerce, November 21st, 1957

Japan's Dilemma

A TRADE recession in the United States, like a fission reaction, is liable to spread very rapidly. The efforts of President Eisenhower's Administration to halt and reverse the downward trend in the American economy are therefore being anxiously watched in all parts of the free world, but perhaps more especially in those countries which derive a large part of their revenue from exports of mining or agricultural products.

Nowhere are the ups and downs of America's economic pendulum being more anxiously studied than in that heavily populated group of islands which constitutes Japan. This industrial and industrious nation is rapidly coming to occupy a position in the economy of the Far East which is by no means dissimilar, though far smaller in scale, to that of the United States itself. Its rapidly expanding metal industries, like those of America, are critically dependent on the importation of raw materials to supplement domestic resources which are limited or even non-existent. As in Washington, so in Tokyo, long-range minerals policy recognises the wisdom of assuring adequate supplies in the years ahead, when the expansion of world trade and industry will be reflected by growing pressure on available resources of ores and minerals.

Quest for Raw Materials

In India, Malaya, the Philippines and elsewhere, Japan has been financing searches for base minerals, participating with local interests in the formation of mining companies, and concluding long-term contracts

for the ores her smelters need. Such activities are by no means confined to Eastern countries but extend as far afield as Canada and South America. Iron ore, for example, is being imported from both Asia and the Western hemisphere, and over the next seven or ten years imports are to be raised to 16,000,000 tons annually—approximately double the present level. The quest for raw materials has even extended beyond the Iron Curtain, for the Soviet Union is to supply 20,000 tons each of chrome and manganese ore under a trade agreement signed in December last year.

Japanese ore requirements are clearly becoming a factor of increasing significance in world markets and they are unquestionably contributing to the expansion of mine production in a number of countries with limited incomes and resources. But Japan's own economy, in turn, is closely geared to that of the United States which, besides being the largest outlet for various metal products of a specialised nature such as titanium and zirconium, is of critical importance to the Japanese metal industries as a whole, because of its predominant influence on the general trend of prices and demand.

Secondary Reaction

Although the economic setback in the United States is still a very recent development, it has already set off what might be termed a secondary reaction in Japan, the effects of which are in turn being experienced in other Far Eastern countries. Japan—like the United States—is at present confronted with a stark

From The Mining Journal, February 7th, 1958

conflict of interests between the short-term and long-term requirements of her metal industries. In Japan's case the problem is perhaps more clearly defined, because it has not been confused by the existence of strategic and supplemental stocks of strategic ores. On the one hand, the temporary surfeit of raw material stocks is reflected by a drastic scaling down of Japanese orders for 1958 shipments of iron ore from Malaya, as a result of which several hundred mine workers at Bukit Besi, Trengganu, are faced with the loss of employment. On the other hand, a Japanese mission is at present in India to examine the possibility of stepping up the supply of Indian iron ore to Japan.

Growing Competition

Such apparent inconsistencies in the procurement programme for raw materials are, of course, the consequences of Japan's growing difficulty in disposing of the products of her metal industries at satisfactory prices. Although Japanese steel exporters have cut their prices substantially, export trading has slowed down owing to stiff international competition. Concern is also felt at the growth in stocks of chrome ore due to a sharp decline in domestic requirements for special steel manufacture. On January 20 this year stocks of ore held by the four leading ferro-chrome makers were estimated at between 55,000 and 58,000 tons, in addition to 30,000 tons which will shortly arrive from the Philippines under a long-term contract. In these circumstances the Russian chrome

Remedy in Washington

In this period of economic adversity many manufacturers and traders are calling upon the Japanese Government to take bold measures to promote exports so that growing surplus stocks can be disposed of at economic prices. The government is doubtless only too anxious to assist exporters, but there appears to be little it can do about the present situation, apart from such purely domestic measures as export incentives or tax relief. The remedy is to be sought rather in Washington than in Tokyo and consists basically in the restoration of America's confidence in its own future. In this respect there could probably be no more timely and stimulating tonic than the successful launching of the first U.S. sputnik, whose invigorating influence may soon be felt by Japan's hard-pressed metal exporters in the form of a gradual revival in world demand.

has become something of an embarrassment! The copper industry is restricting output and is planning to freeze part of the surplus stocks on the market through the Japan Copper Metal Co., jointly set up by leading smelters. Copper refineries are reported to be seeking funds from the Bank of Japan to freeze part of their surplus stocks.

Exports of titanium sponge are to be drastically cut, due to the sharp decline in U.S. requirements arising from the reduction in prices of U.S. titanium and by the switch from manned aircraft to guided missiles in the U.S. defence programme.

Science, Technology and Britain

In this article written specially for 'Dexion Angle'

SIR JOHN COCKCROFT, O.M., F.R.S.

world-famous atomic scientist declares: 'The most important task of today is to provide the means for ensuring the professional training of our young people to meet the demands of the technology of the future and not the past.'

FOR many years Britain has been one of the leaders in science and technology in the world and a good deal of our wealth and standard of living have come from the remarkable series of inventions and discoveries of the second half of the eighteenth and nineteenth centuries. In that period we were pioneers in steam engines, steam turbines, in the development of steamships and railways. Scientists like Lord Kelvin contributed greatly to thermo-dynamics, the Atlantic telegraph and electrical theory. Clark Maxwell prepared the way for wireless; J. J. Thomson discovered the electron and so founded electronics; Rutherford and his colleagues discovered the atomic nucleus and prepared the way for the release of atomic energy.

If we compare our own times with these heroic ages we see that the pace of scientific and technical development is just as exciting and as rapid. We still find amongst our young people, scientists and engineers with vision and enthusiasm who are capable of leading world development when the means are provided. During the last twenty years we have seen many notable examples.

Radar

Radar was invented in this country in the years before the war by Watson-Watt and a small group of scientists. It was developed inde-

From Dexion Angle No. 8, published by Dexion Ltd

Atomic Energy

The development of atomic energy has been a third notable example. The British effort on the development of nuclear reactors began in a small way in the Cavendish Laboratory in 1941, greatly helped by a small group of French scientists. The work moved to Canada in 1943, when a joint Canada-U.K. project was established. After a year's slow start the project moved into higher gear when collaboration with the United States was re-established a year later, and U.K. scientists, including myself, were released from radar work to develop this vitally important field. We were able to bring our experience of organising team work in development to the design of two heavy water reactors in Canada and then turned to the design of Britain's first reactors which were built at Harwell, using the buildings of the Royal Air Force station to give us a flying start.

We began the U.K. programme by constructing two reactors using graphite as a moderator and uranium metal as fuel elements. This was because we did not have supplies of heavy water available and we could obtain pure graphite, developed specifically for us, in Canada.

Simultaneously with the foundation of Harwell, the Industrial Group of the Atomic Energy Project was formed at Risley under Sir Christopher Hinton's powerful leadership. Risley became the engineering organisation of the project. They designed and built our second B.E.P.O. reactor and at the same time designed and built a uranium factory at Springfields and then built two graphite moderated air-cooled reactors at Windscale for plutonium production. They established the method and a reputation for working

to a fixed and 'immutable' programme, which they have so far maintained.

Calder Hall

The next step after the Windscale plutonium producing reactors was the construction of the Calder Hall nuclear power station based on the same principle. Two graphite-moderated nuclear reactors provide heat to raise steam which then drives steam turbines. Harwell was responsible for the initial concept and feasibility study of this nuclear power station and at the same time was responsible for the five main technological developments which made it possible. These included the development of much purer graphite; the development of a magnesium alloy for sheathing the uranium; the improvement of heat transfer; improvement in the metallurgical behaviour of uranium fuel elements. After the feasibility study recommendations the powerful organisation at Risley took over the design and built the station in a record time of three years.

Since then technological progress has been rapid and three nuclear power stations have been ordered for the U.K. Electricity Authorities which will each have an electrical output of about 300 megawatts, four times the electrical output of Calder Hall, whilst the fourth, Hinkley Point station, due for completion in 1962, will have an electrical output of 500 megawatts—seven times that of Calder Hall. This increase in output is important in lowering capital costs, which are high by comparison with coal or oil-fired stations. Fuel costs, on the other hand, are likely to be about half those of coal or oil-fired stations, so that taken together nuclear power is expected to be about

ten per cent above the cost of power from coal in 1960, to reach parity about 1962 and to become cheaper by 1965. Sir Christopher Hinton has predicted that by 1970 the cost of nuclear power will have fallen to 0.47d. per unit, whilst the cost of power from coal or oil will have risen to 0.67d. per unit. Those predictions are based on technological development which is already proceeding in our laboratories and which should come to fruition by 1965-70. Nuclear power has the important character of great development potentiality.

New Reactors

Quite apart from development of our present line of graphite moderated gas cooled reactors there is great scope for development of new types of reactor. There is a wealth of reactors to choose from. But to develop any one successfully requires a team of about 100 qualified scientists and engineers. So in Britain, with our limited resources, we have to be very 'choosy' and do our best to spot the reactor winners of the future. This cannot be done simply by gazing into the crystal ball and by

producing a nice paper design. The success or otherwise of a new reactor depends just as much on the technology of the system as on good design and several years' work are usually required before one can foresee whether its technology is promising.

A Year's Lead

At the present time we have a little over a year's lead on the United States and Russia in the completion of the first large-scale power station and we are finding the year's operating experience to be of the utmost value.

We have achieved this lead by concentrating about 1,000 scientists and engineers and technicians on to nuclear power development. As a result of this we expect to save about 18 million tons of coal or its oil equivalent each year by 1965, which could have a very beneficial effect on our balance of payments—already strained by our net fuel import bill of £280 million. We may also reasonably look forward to export trade in nuclear reactors, whether by export of complete stations or of parts or of licences.

INDUSTRY AND FINANCE

It is sometimes argued today that modern industry requires such expensive plant that it can be financed only by great companies. The argument is simply an attempt, by people who are ignorant of our financial history, to explain the existing set-up. No man voluntarily turns his business into a company if he can get long-date loans at a fixed interest from a bank. No man would lose his individual control over his business and pay away his profits to shareholders if he could get finance in other ways. If modern machines are expensive, they also produce enormously, and savings could be enormous. What is lacking is a banking system capable of attracting and channelling these savings to the producer.

From The Individualist, February 1958

SPRING BOOK NUMBER

Digest Reviews

THE GERMAN MIRACLE

Prosperity through Competition, by Ludwig Erhard. Thames and Hudson; 25s.

Professor Ludwig Erhard took over the direction of West German economic affairs at the beginning of 1948, when conditions were, to say the least, abnormal. During the twelve years which followed the war no less than twelve million refugees and stateless persons poured over the frontier into Western Germany, adding to the chaotic conditions. Yet Western Germany today has a stable currency and a prosperous community, real wages have increased by sixty per cent since 1950, production has greatly expanded, unemployment is low, and above all, prices have remained relatively steady.*

In this timely and very valuable contribution to economic thought, Professor Erhard tells how all this has been achieved. His two main themes are free competition and stable money. He strongly denies that inflation is a necessary feature of an expanding economy, or that it is necessary to burden the economy with all kinds of controls. He says that he has tried to evolve 'a sound middle way between out-and-out freedom and totalitarianism'. No one can deny that his methods have been successful, though it does not follow that the same programme would have achieved equally good results in different conditions.

Certainly two factors which were peculiar to Western Germany helped

*See graph on page 66.

materially. The currency reform of 1948, which at one go removed the effects of war-time inflation, and from which the whole success of the programme stemmed, would hardly have been possible in any but a defeated country. Secondly, the German people had experienced the disastrous inflations following the two wars when all values had been destroyed, and they feared a return of inflation even more than they feared unemployment. Furthermore, the destruction of plant and machinery which the war brought about enabled the Germans to introduce the latest and most up-to-date machinery and tools in their factories and workshops.

But with all this, the success of the post-war economic policy in Germany is not something which can be ignored by other Western nations, and we do so at our peril. See page 65 for Spotlight article on Professor Erhard.

EXPANDING COMMONWEALTH

Task for Giants, by the Hon. Patrick Maitland, M.P. Longmans Green, 42s.

'In an expanding Commonwealth the civilised nations may find their home and their place, backward peoples their hope and their purpose. Yet to expand the Commonwealth—here indeed is a task for giants.' Thus concludes Patrick Maitland in his forthright and challenging book which faces the very real problems confronting the Commonwealth in a changing world.

The author begins appropriately by presenting the historical develop-

ment of the Commonwealth, and he then goes on to analyse the bonds which hold it together. On this basis he builds up his case that the principles and organisation of the Commonwealth are not only applicable to those countries and territories already within the association, but also to many nations at present outside the Commonwealth. He states his beliefs with clarity and sincerity, and his book is an important and welcome addition to political thought.

CONSUMER CREDIT

Hire Purchase in a Free Society.
Edited by Ralph Harris and Arthur Seldon. *The Institute of Economic Affairs*; 7s. 6d.

This book brings together an account of the development of hire purchase from scattered articles and pre-war textbooks, and the authors have also incorporated much new material. It pays special attention to the methods companies employ to raise funds, their techniques of financing H.P. business, and the impact of these activities upon the national economy.

Financial results of leading companies are analysed and the authors argue that H.P. financiers qualify to be regarded as 'bankers'. They perform a specialised service for depositors and customers who include thousands of small firms as well as millions of consumers. By expanding the market for 'consumer durables' they also assist manufacturers who need a mass demand on which to base plans for maximum efficiency.

The importance of achieving a proper sense of proportion is underlined by brief studies of the much greater extent of hire purchase in U.S., Canada, Australia and South Africa.

Promotion and Pay for Executives. By George Copeman. (*Business Publications in association with Batsford Limited*; 18s.)

In many professions and trades today salaries and wages are governed by Acts of Parliament. To establish a minimum wage or salary is perhaps reasonable, but to govern a maximum one is questionable. In the business world the 'executive' has no 'national scale' and he gets either what he is worth or what he can get. In this excellent book Dr Copeman takes a number of executives and studies their rise to the top. The study shows that 'Eton and Kings' is not a guaranteed passport to the summit but proven ability to sell your firm's good (and yourself) is.

Taxation is a great leveller and one of the surprising factors arising from the study is that people are willing to take on so much extra responsibility for so little increased monetary return . . . but thank goodness they do.

This is not a 'How to reach the top in five easy lessons'.
J.P.

AN OLD FRIEND REAPPEARS

The Agricultural Register (New Series), Changes in the Economic Pattern 1956-7. (*Agricultural Economic Research Institute University of Oxford, December 1957*; 21s.)

Many people besides agricultural economists have a need in these days for a comprehensive and conveniently arranged summary of the legislative and economic changes which are so constantly re-shaping the pattern of British agriculture. For

this purpose, there is no better work of reference than the *Annual Register* compiled by the Research Institute at Oxford. The first volume appeared in the early 1930's, when agriculture, though itself sorely stricken, was being organised to aid in the national recovery from the great depression and economic crisis which followed the deflationary trend of the 1920's. It was the period of the Ottawa Agreements, the Agricultural Marketing Acts and the Wheat Act, when unqualified faith in free trade and convertibility was first acknowledged to be no longer tenable. A copy of the sixth volume, that of 1938-9, is still in the reviewer's possession, somewhat battered after much travel but still a valuable record. In his foreword, the then Director of the Institute, the late C. S. Orwin, wrote that 'with the slackening of the pace of agricultural reorganisation, the demand for it (the *Register*) has declined'—a statement which reveals how little was foreseen of the vital part which agriculture was to play in the war of 1939-45 and its economic aftermath.

The present volume worthily maintains the high standard of those earlier days. The arrangement of material is rather different, but appears to cover the ground equally well, dealing in turn with Government policy, marketing and prices, imports, labour, land and capital, and inputs (feeding-stuffs, fertilisers, machinery, etc.). The statistical tables appear in the text at appropriate points, an arrangement which has much to commend it; and the text itself, though essentially factual and objective, is easy to assimilate. Despite the sub-title of the volume, it does in fact provide an excellent summary of most developments since the end of the war.

J.J.

SHAPE OF THINGS TO COME!
The Next Hundred Years: Man's Natural and Technological Resources, by Harrison Brown, James Bonner and John Weir. Weidenfeld and Nicolson; 18s.

What sort of world will it be in 2050? What changes are in store? Will resources of food, raw materials and energy be sufficient to keep the industrial wheels turning and supply the demands of an increasing world population?

These and other highly relevant questions are examined by three members of the California Institute of Technology and the conclusions they reach are, in the main, encouraging. Several chapters are devoted to the most vital factor of food supplies, and they sum up the situation by saying 'there appears to be no technological barriers to the feeding of a stable world population several times the present size'.

Sir Solly Zuckerman contributes both a foreword and a postscript to the book. In the latter he summarises the issues in relation to the circumstances prevailing in Britain.

LOOKING BACK

An Economic History of Europe, 1760-1939, by Arthur Birnie. Methuen; 21s.

This is the seventh revised edition of this very useful history of the industrial revolution, and the vast changes it brought to the European scene. Mr Birnie, who is lecturer in Economic History at Edinburgh University, writes dispassionately, but succeeds in holding the interest and attention of the reader. In this edition the author has added an epilogue which summarises recent economic developments. The book provides an essential background to students of European affairs.

FREE TRADE AREA

Britain and Europe. The Economist Intelligence Unit; 15s.
Taxation in the Proposed European Free Trade Area. Federation of British Industries; 20s.

Here are two useful surveys of different aspects of the proposed European Free Trade Area. The first deals with the effects on the British manufacturing industry, Part I covering the actual problems of free trade, with particular reference to the difficulties confronting agriculture. Part II covers the effects on individual industries: metals—engineering—motor vehicles—aircraft, shipbuilding and railway vehicles—chemicals and petroleum—textiles and clothing and a number of other industries.

The second book presents a concise synopsis of the taxation structures of the various countries which form the European Common Market, and those who are likely to cooperate in the proposed Free Trade Area. The authors of the book arrive at the conclusion that, on the whole, our system of taxation compares well with those of our continental neighbours.

THIS WORLD

The First Step in European Integration, by Sir Cecil Weir, K.C.M.G., K.B.E., M.C. The Federal Educational and Research Trust; 1s. 6d.
Europe. The Next Steps, by Paul Barea. The Federal Educational and Research Trust; 1s. 6d.
Atlantic Union, by Georg Schwarzenberger. The Federal Educational and Research Trust; 1s. 6d.
Utopianism and Politics, by J. L. Talmon. Conservative Political Centre; 1s. 6d.

The first three of these pamphlets are thoughtfully written and contain

useful information; they are imbued, however, with a deterministic view of world history and international relations which calls for the merging of nations and groups of nations into wider and wider amalgams.

Mr Schwarzenberger incurs the charge that federalists of his kind are more interested in their theory than in individual and national liberties. He makes the success of federation depend not on the wishes of those to be thrown together, but on 'a sufficient number of people in key positions or a substantial body of public opinion in each of the potential member states'—which is quite another matter. He rejects, moreover, the concept of the Expanding Commonwealth movement and its supporters, that Commonwealth membership could be extended in Europe and elsewhere, on the ground that Latins and Teutons would be incompatible with Indians or Ghanians; yet would combine the U.S.A., or the Organisation of American States, the British Commonwealth and Empire and a European Union into what he terms an Atlantic Union. (Tell that to Mr Nehru.)

Beyond this goal beckons a Utopia of 'world federation'. But whose federation? One suspects Mr Schwarzenberger has accepted a permanent American hegemony. But has the U.S.S.R. or China? Or for that matter the uncommitted parts of the world or the proud nations of the Commonwealth and of Europe, still the most creative of the continents?

Dr Talmon, the eminent Professor of Modern History at the Hebrew University of Jerusalem, is better at distinguishing between Utopianism and Politics. For him the essence of modern Utopianism is that, to be effective, it requires universality and

claims the allegiance of all nations and all races. He finds its origin in the decline of the religious sanction and in particular the decline of belief in the doctrine of Original Sin. Utopianism claims to give 'final and permanent stability', but though born in the noblest impulses of man it is doomed to be perverted into an instrument of tyranny and hypocrisy. One blue-print for world federation is in the Kremlin.

ADVANCING ASIA

The Rise of Modern Asia, by Ian Thomson. With half-tone illustrations and maps. John Murray; 18s.
Studies of Economic Development: with Special Reference to Conditions in the underdeveloped Areas of Western Asia and India, by Alfred Bonnè. Routledge and Kegan Paul; 32s.

Not a profound work, the Rev. Thomson's study is so well written that it could serve well as a text-book while affording pleasurable reading for the general student (somewhere between Network Three and the Third Programme).

The author is suited to his subject. He was born in China and spent ten years there. He knows other parts of Asia. He brings under review half a century in the land mass stretching from China to Constantinople. His is the story of the rise of new nations and the renewal of old ones.

Those of Mr Thomson's readers who have a bent for economics could not do better than go on to Professor Bonnè's new book. He analyses thoroughly and with scholarship the existing, and in many cases depressed, conditions of lands about which Mr Thomson has written, and in the second part of his book discusses with some optimism the possibility

of progress through industrialisation and agrarian reform.

Professor Bonnè has been living in the Middle East since 1925 and is now teaching Economics at the Hebrew University at Jerusalem.

A LUNG FOR LONDON

London's Epping Forest, by James A. Brimble. Revised Edition. Originally published in 1950 by 'Country Life' and reprinted in 1957 for Mr J. A. Brimble, 52 Station Road, Chingford, London, E.4, by the Walthamstow Press Ltd, Guardian House, Forest Road, London, E.17; 35s.

Those many Londoners who are notoriously ignorant of their own historic amenities should read this beautiful book which can also be recommended to visitors from home and abroad. It is charmingly written by a man who not only knows but loves his subject and has himself taken the many photographs, some of them in delightful colour, and has lived in the neighbourhood of the Forest for thirty years.

Mr Brimble deals with that part of the Forest which lies to the North of Woodford and Chingford and what remains of the huge Forest of Essex. Unlike Dartmoor or Exmoor, it affords much unbroken woodland and is unfenced and free for all. It has beauties and glories denied to country far away from London's dirt and grime.

Brief but just tribute is paid to the Corporation of the City of London and those who fought bravely and long for forestal rights and the Forest itself, to a gallant and much-tried labourer, Thomas Willingale, and others, including the Commons Preservation Society, which included Sir Fowell Buxton, Mr W. H. Smith and Miss Octavia Hill.

MIDDLE EAST SURVEY

I Saw for Myself: The Aftermath of Suez, by Anthony Nutting. Hollis and Carter; 10s. 6d.

Following his resignation from both his office and his seat in Parliament, Mr Nutting, former Minister of State for Foreign Affairs, set off on a tour of North Africa and the Middle East. In this book he sets down his impressions of a journey which covered Morocco, Tunisia, Algeria, Libya, Cyprus, Iraq, Iran, Egypt, Saudi Arabia, Jordan, the Lebanon and Israel.

During his travels, Mr Nutting met the leading figures in the countries concerned, and his book provides a valuable and reasoned assessment of the complex forces at work in these areas. He is very critical of French policy in Algeria; he comments: 'France must act as if she has a future and not just a past'.

Referring to the vital necessity of dealing with the pressing economic problems confronting the Moslem world, he suggests that there is a great need for economic integration, perhaps on the lines of the European Common Market.

EDWARDIAN MEMORIES

Scrapbook 1900-1914, by Leslie Bailey. F. Muller Ltd; 30s.

Those who enjoy Mr Bailey's excellent radio scrapbook programmes will find this book much to their taste. Covering the gay Edwardian period, it touches on many aspects of life, in the 'good old days' before the 1914-18 war, which so many remember with nostalgia, and others with less favour.

Mr Bailey has carried out a tremendous job of research, and succeeds in making the England of fifty years ago come to life. The book is illustrated with many interesting

photographs which add materially to the interest.

FOR YOUNG PEOPLE

The Story of the Second World War, by Katharine Savage. Oxford University Press; 15s.

This is a valuable record of the main events of the Second World War written specially for young people. It is well illustrated with photographs, some of them from German sources. The reader not only finds a story which is absorbingly interesting, but is also provided with an important slice of history.

FOR THE STUDENT

The Substance of Economics, by H. A. Silverman. Pitman; 20s.

This is the fourteenth edition of a standard textbook dealing concisely and in clear language with economic theory and its practical and social implications. It is written for the student and general reader who requires an understanding of the economic principles which underlie the problems of our time. In this new edition much new material has been introduced and references and statistical tables brought up to date. The final chapters dealing with recent economic and social changes have been largely rewritten and serve to give illustration to the more theoretical exposition contained in the previous chapters.

FLOATING PRISONS

The English Prison Hulks, by W. Branch-Johnson. Christopher Johnson; 18s.

The author gives an interesting account of the establishment of the floating prisons which were introduced just under two centuries ago, and disappeared from the English

scene in 1857, when the *Defence* was destroyed by fire at Woolwich.

The use of ships as prison hulks originated with the over-crowding of the gaols with prisoners awaiting transportation, and were introduced as a 'temporary expedient'. It was found, however, that the inmates provided a source of convenient labour for the dockyards, and so they persisted for a century. The author has made full use of historical documents which provide a lively commentary on the conditions of imprisonment in the eighteenth and nineteenth centuries. There are a number of illustrations, mainly taken from the *Illustrated London News*.

SHORTER NOTICES

A Short History of Germany, by Sir John K. Dunlop. Harrap; 8s. 6d.

Based on lectures given to British forces in Germany after 1945, this book gives a potted history of Germany from Roman times to the post-war period. It will provide useful information for schools, and also those who have business or other connections with the German people and who desire to understand something of the complex historical background of this 'problem' nation.

Welfare Freedom and Inflation, by Wilhelm Röpke. Pall Mall Press; 3s. 6d. (paper), 7s. 6d. (cloth).

This book contains four essays—two dealing with the Welfare State and two on inflation. The author describes the Welfare State as 'the primary mechanism through which the subjection of the individual to the State is being achieved throughout the non-Communist world'. An introductory essay is contributed by Graham Hutton.

Which Way America, Which Way Britain?, by Wilfred Wellock. The Society for Democratic Integration in Industry (109 Kingsway, London, W.C.2); 1s. 6d.

The sub-title of this brochure is 'Abundance or Abundant Life' and it offers a trenchant challenge to the materialism and fear which afflict the Western world.

Some British Industries 1936-1956. Their expansion and achievements, by Alan Hess. Information in Industry Ltd; 42s.

Tells the story underlying the development of two hundred companies sponsored by the Whitehead Industrial Trust.

The American Way of Government. National, State and Local Edition, by A. de Grazia. Chapman and Hall; 56s.

The author, who is Associate Professor of Political Science at Stanford University, has described the principles and operations of the American Government from Colonial times up to the present day. The material is presented in a clear and lively form, and each chapter concludes with a list of questions and problems. Chapter 5 contains the text of the American Constitution. There is also a useful section dealing with Money and Banking in which the author shows that gold still plays a major role in the American monetary system, but that a return to the traditional gold standard is extremely unlikely, if not impossible.

Comparative National Products and Price Levels: A Study of Western Europe and the United States, by Milton Gilbert. O.E.E.C.; 24s.

In this study published by the O.E.E.C. comparisons are made

in real terms, instead of at official exchange rates, of the economic strength and the use of resources in Western Europe as a whole with that of the United States. It shows that Europe's standard of living has been catching up only very slowly with the United States and is still less than half the U.S. level, even when a basis of comparison more realistic than official exchange rates is used.

The Greatness of Oliver Cromwell, by Maurice Ashley. Hodder and Stoughton; 45s.

The author of *Cromwell the Con-servative Dictator* has written this readable reassessment for the 300th anniversary next year of the death of the Lord Protector. Division between Cavalier and Roundhead still survives in English society and there are many who will not share Mr Ashley's admiration for one who, in his opinion, took liberty of conscience as a guiding principle. They may agree however that 'He was no more a Fascist dictator than he was a Gladstonian Liberal'. Few however would deny that this is an agreeably written book.

Ten Years of Pakistan 1947-1957. Pakistan Publications, Karachi, Rs. 2.4s8.

This is a treasury of information about most aspects of political and economic progress in Pakistan. It would be even more valuable with an index.

Cyprus Statistical Abstract 1956, No. 2. Published by the Statistics Section, Financial Secretary's Office, Nicosia.

From the Government Printing Office, Nicosia, and from the Crown Agents for Overseas Governments and Administrations, 4 Millbank, S.W.1; price 300 mils.

This is another mine of information about a different part of the Commonwealth. It is both a convenient work for statistical reference and a guide to other statistical sources and publications.

BOOKS RECEIVED

Robert Torrens and the Evolution of Classical Economics, by Lionel Robbins. Macmillan; 36s.

Business Cycles and Economic Policy, by Erik Lundberg, translated by J. Potter. Allen and Unwin; 32s.

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Rural Economy

(1) FARMING FINANCE

WHERE DOES IT COME FROM?

BY JORIAN JENKS

AT BOOK valuation, agriculture in the United Kingdom represents a capital investment of at least £3,000 million. Of this, about half represents 'tenants' capital'—livestock, machinery, stocks on the farm, unexhausted manures, cultivations, growing crops and so on. Since some 40 per cent of farmers now own the land they occupy, farmers—as distinct from landlords'—capital must be considerably over £2,000 million.

Where has it come from? How is it maintained? The late Professor A. W. Ashby, who knew working farmers well, used to endorse the traditional triad as the main source of funds: patrimony, matrimony and parsimony. Indeed, it is hard to see where else the money could have come from, since farming has no access to the issues market and its chief tangible assets are not commonly regarded as good security by the banks.

Inheritance

This conclusion has broadly been confirmed by the Economist Intelligence Unit in an article contributed to *The Agricultural Review* for February. The relevant passage adds, a trifle naively perhaps, that 'we cannot assess with precision the relative contribution from each source'; but it supports the view expressed by Ashby and Ashton that inheritance is the principal source, comprising from 45 to 60 per cent of the total. 'Matrimony' might safely be included under this head.

Savings are no easier to assess; but

probably the article's estimate of one-third is not far out. A surprising number of successful farmers appear to have started their careers on personal savings (before inflation set in); and during the war and post-war years men managed to plough back some earnings in most years, despite taxation. How else was the 60 per cent. increase in volume of production financed?

A Diminishing Factor

But, with estate duties taking their toll, inheritance is a diminishing factor; and opportunities for saving are dwindling, too, as real farm incomes shrink. With farm outgoings continuing to rise, borrowing is becoming a pressing problem, and the N.F.U. has set up a panel to advise its members on the subject.

Here the *Agricultural Review* article accepts the estimate of Chevely and Price (*Capital in U.K. Agriculture, 1955*) that the main source of loans is likewise private—relatives, friends or (presumably) professional money-lenders. This accounts for £450 million. The further £200 million allowed for merchant credit—out-standing accounts for feedingsuffis, fertilisers, fuel, livestock and other purchases—seems to be on the low side. But let us hope the figure is correct, since this is a costly form of credit which can become a burden to creditor and borrower alike.

Significantly enough, the joint-stock banks play a relatively minor part in financing food production. In fact, it has been stated of one bank

that it owes farmers considerably more than they owe it. The average level of advances to farming and fishing last year was £225 million, but the proportion lent to the fishing industry is not stated; in any case, the figure represented a decline on previous years. Broadly speaking, farmers tend to find banks more useful as providers of facilities than as sources of credit, possibly because their requirements in the latter case do not accord well with modern banking policy. And the Agricultural Mortgage Company, which is a State-guaranteed offshoot of four of the banks, is interested only in first charges on the land.

Cost of Borrowing

Under such circumstances, enthusiasm for the farm improvement section of the 1957 Agriculture Act may be expected to wane once the first flush of applications has been dealt with. On the face of it, a grant of one-third towards the total cost of approved schemes looks generous. But most farmers will think twice about borrowing the remaining two-thirds (or even a part of it) at 7 per cent or more, especially in view of a prospective further decline in real farm incomes. Increases in the bank-rate are already estimated to be costing agriculture £4 to £5 million a year. An interesting pointer is provided by some observations by G. S. McFarlane, recently published by the agricultural economics department of the University of Bristol.

(2) COLLECTIVE FARMING

N. S. KHRUSHCHOV at *Byelorussian Conference*

'WHEN we had small collective farms with small tracts of land, and when those collective farms could not use the machine and tractor stations was

Enquiries among fifty-three Devon farmers, whose average size of holding was 131 acres, revealed little desire to increase turnover by acquiring more land. Many, however, thought that they could improve their economic efficiency by reconstructing or enlarging their farm buildings or, in a few cases, by buying more machinery. But there seemed no eagerness to borrow for this purpose, even with a 33 per cent grant in prospect. 86 per cent of the farmers stated that they normally paid for improvements to buildings out of savings, and 80 per cent that they paid cash for what they bought. Only one-third had a bank overdraft.

Digging In

Devon farmers have long had a name for thriftiness and prudent management, and the sample is in any case a very small one. But one certainly gets the impression from talking to farmers generally that, having extricated themselves from the worst of their pre-war financial difficulties, they are now quietly digging in for the lean period which most of them seem to anticipate.

If this should be so, we are unlikely to see any big drive for farm modernisation, with its accompanying commitments, unless much more explicit undertakings are given by this and succeeding governments that room will be created in markets for the corresponding increase in production. And, at the time of writing, few things seem less likely.

From Soviet News, January 29th, 1958

justified. Today, however, the collective farms have been enlarged. They sometimes have from 5,000 to 10,000 and even 20,000 hectares* of land. Naturally they can make rational use of equipment, without the machine and tractor stations.

The machine and tractor stations have ceased to play the political part *One hectare—2.47 acres.

(3) FOOD SHORTAGE IN INDIA

INDIA is worried about a developing food shortage. The main reasons for the shortage are:

1. Lower output, because of floods and drought;
2. A drop in official stocks of imported foodgrains;
3. The inability to increase food imports substantially because of the adverse foreign exchange position.

The Indian Government also notes the influx of refugees from East Pakistan has increased the demand for food in West Bengal.

The Foodgrains Enquiry Committee has submitted a report recommending the establishment of a Price

Stabilisation Board which would formulate policy in regard to foodgrain prices and also the establishment of an organisation to implement that part of the policy and programme relating to purchase and sale operations. The Committee says the solution to India's food problem lies 'somewhere between complete free trade and full control'. It says full control should be resorted to only in emergencies such as famine, war, or extreme inflation.

The Committee recommended annual imports of two to three million tons of foodgrains during the next few years.

(4) SURPLUS U.S. OUTPUT CUT

FARM surplus production in United States was cut by more than \$1,000,000,000 worth of crops in 1957 through use of the Soil Bank.

The Department of Agriculture says this in a report on operations of the Soil Bank in the past year. Farmers were paid \$614,000,000 for not growing wheat, corn, cotton, rice and tobacco. The Department estimates production that would have come from the retired acres is as follows:

Wheat	-	175 million bushels
Corn	-	225 million bushels
Cotton	-	2 million bales
Rice	-	600 million pounds
Tobacco	-	93 million pounds

The \$1,000,000,000 value put on this 'ungrown' production was calculated by the Department on the basis of current price supports.

In 1957, American farmers put about 21,300,000 acres into the Soil Bank. This year, however, the sign-

From I.F.A.P.

up has been much less. So far between 11.5 million and 15.5 million acres have been put into the Soil Bank. The winter wheat sign-up was a major disappointment, 36 per cent below last year.

Because of the poor response this

year from farmers, the Administration will probably kill the Acreage Reserve section of the Soil Bank next year. Some other programme may be used in its place, putting more accent on long-term conservation than at present.

Comparative Exports and Imports of the U.S.—1955-1956

(Compiled by the National Council of American Importers, Inc.)

THE National Council of American Importers has prepared a *per capita* tabulation of United States exports and imports by countries for the year 1956, with the comparative *per capita* equivalents for the years 1955 and 1956.

The *per capita* exports were computed by dividing the export dollar totals to each country for 1955 and 1956 by that country's population as

estimated by the United Nations. *Per capita* imports by the U.S. were arrived at by dividing the total dollar imports by an estimated population of 165 million for 1955 and 168 million for 1956.

A study of this table will show that on a *per capita* basis, except in the case of India and the Soviet Bloc, U.S. exports amount to many times its imports.

Country	Population in millions	Total U.S. Exports Million \$ 1956		Per Capita purchases from the U.S. 1956		Total U.S. Imports Million \$ 1956		Per Capita purchases by the U.S. 1956		Est. Pop. U.S. 1956 Million	Est. Pop. U.S. 1955 Million
		Exports	Imports	from the U.S.	purchases	Imports	purchases				
Canada	16.0	3899.6	2869.1	\$243.72	\$207.09	2869.1	\$17.07	\$16.07			
United Kingdom ..	51.2	891.4	721.8	17.41	18.03	721.8	4.29	3.73			
India	381.7	266.9	204.6	0.69	0.50	204.6	1.21	1.34			
Union of South Africa	13.9	260.1	103.4	18.71	19.46	103.4	0.61	0.58			
Australia	9.4	178.5	137.3	18.98	22.12	137.3	0.82	0.77			
Pakistan	83.6	137.7	36.2	1.64	0.68	36.2	0.21	0.18			
Israel	1.8	92.8	18.9	51.55	49.83	18.9	0.11	0.10			
Hong Kong	2.4	67.5	19.5	28.12	21.20	19.5	0.11	0.09			
New Zealand	2.2	46.0	60.2	20.90	24.36	60.2	0.35	0.26			
British Malaya ..	6.3	45.8	226.4	7.26	5.79	226.4	1.34	1.42			
Rhodesia & Nyasaland (Fed. of) ...	7.3	15.6	40.0	2.13	1.72	40.0	0.24	0.40			
Nigeria	2.33	12.5	42.0	5.36	4.80	42.0	0.25	0.21			

U.S. Foreign Trade

WE HAVE traditionally been a high-tariff nation. The 'modern Republicanism' of the Eisenhower Administration has mitigated the superstitions of another era sufficiently to permit our wealthy nation to live in tolerable reciprocity with its poorer allies. But the reciprocity is not strong enough to defeat domestic pressures for higher tariff walls whenever a particular interest is imperilled. Both Japan and Canada, good friends of our nation, are restive and resentful of our lack of reciprocity in foreign trade. In the

case of Japan, our failure is aggravated by our ban on trade by this highly industrialised nation with its natural markets in Asia.

This is a problem which the Administration did not create. But its complacency, here as elsewhere, merely aggravates the complacency of the whole nation. We refuse, in short, to deal with a dangerous world situation with the sense of urgency demanded by the peril in which our nation stands and the concomitant peril of the whole non-Communist world.

From 'Why we are Losing to the Russians', by Reinhold Niebuhr from *New Leader*, January 13th, 1958

Good Neighbour Relations?

NEVER has the Congress of the United States had a greater opportunity than it will have this year to destroy whatever 'good neighbour' relationship has survived, in Canada and Latin America, the policies adopted by our lawmakers in the recent past with the sole objective of catering to the special interests of minority groups of U.S. voters.

Sam; and now these have been 'cracked down' also against Canadian oil marketed in our Western states, although almost certain to bring violent and fully justified retaliatory action by Canada in the very near future.

For the benefit of a handful of domestic lead and zinc mines, virtually all of which are of dubious economic merit relative to world production costs, we threaten to impose new import obstacles which will create severe hardships to our natural suppliers in Canada, Mexico and South America. It will not take many such protectionist gestures, in the coming Congressional session, to confirm the suspicions and distrust of our neighbours and leave us in deservedly scorned and hated isolation.

Our dumping of surplus farm products under P.L. 480 has injured the normal export markets for Canadian and Argentine wheat and for Mexican and Brazilian cotton. 'Voluntary' restrictions on oil imports, for the benefit of the independent oil millionaires of Texas, Oklahoma and a few other states, have already and very reasonably cooled Venezuela's love for Uncle

From *Export Trade and Shipper*, January 6th, 1958

Colonialism

Last month we quoted Mr Adlai Stevenson on this subject. Here is another American view

LOOK WHO'S TALKING!

THE largest American base in the Pacific is on Okinawa which today is not held by Japan only because American boys fought, bled and died there. We hold Okinawa by right of conquest. Our military installations and our economic assistance are what keep the people on that island and in adjacent territory going.

So the natives of that country have elected a 'bitterly anti-American', a Communist tool, Saichi Kaneshi, Mayor of Naha, the capital of Okinawa.

At this point, the Government of the United States ought to take over the administration of Okinawa from

From New York Daily Mirror

top to bottom and tell the Japanese on the island that we shall have no more nonsense, that we shall tolerate no Communists and that spies will be hanged on lamp-posts as has been customary in that part of the world ever since they got lamp-posts.

The real issue in the campaign was whether to co-operate with the American military establishment or not. Co-operate, Hell!

This is an American military base, conquered, taken over in a war which we did not start—in which we were attacked!

When there is talk of co-operation—we should do the talking!—not the Okinawan Reds.

Export Pattern Changes

A STRIKING change in the export pattern of tin metal shipped by Malaya during 1957 is disclosed by the official figures of primary tin metal exports from the Federation of Malaya and Singapore (excluding movements between those two territories) released on January 9. The total is a drop of 3.6 per cent compared with 1956.

The feature of the table above is the increase in shipments to the United Kingdom and the marked decreases in the exports to the United States and to Continental Europe.

From The Mining Journal, February 7th, 1958

Destinations are shown to have been:	1956	1957
	<i>l.tons</i>	<i>l.tons</i>
United Kingdom ...	1,983	6,532
U.S.A.	41,084	36,116
Continent of Europe	12,909	6,834
British Possessions	7,631	8,464
Other Countries ...	9,669	12,658
TOTAL ...	73,276	70,604

Pressure Rising in the Transport Sphere

Specially Contributed by BRIGADIER T. I. LLOYD, C.B.E., D.S.O., M.C.—*Protagonist of Railway Conversion. Author of 'Twilight of the Railways—What Roads They'll Make!'*

HOW, in this mid-twentieth century, can it possibly be economically defensible to maintain two totally different systems for producing one identical end product—cargo-miles? It is not as though one system concentrated on human cargo and the other on freight: both rail system and road system cater for all, throughout the country: they are *not* complementary.

And the systems stand in amazing contrast economically.

Rail transport had to be underpinned by the Exchequer to the extent of more than £100 million in 1956: that figure will probably have been doubled in 1957 by the extra 'capital' expenditure on 'modernisation'—truly no more than maintenance of the system as a whole.

Road transport, on the other hand, yields the Exchequer about £400 million a year—net, after deducting all expenditure, part of which again is called 'capital'.

More Road—Less Rail

But the deciding factor is likely to be the strong determination of the people of Britain, both privately and in their commercial capacity, to go on using road transport more and more, rail transport proportionately less and less. They spent £1,760 million on road transport and travel in 1954: £2,170 million in 1956—13.5 per cent of the national income. In the same two years they patronised British Railways to the extent of no more than £430 million and £472 million. Indeed, it is already doubtful

whether B.R.'s 'railed ways' play as much as one-sixth of the part played by the highways of Britain in the general movement picture throughout the country.

With proper magnanimity—or discretion—might not British Railways now capitulate and depute road transport to take over their small fraction of the job? In return for which road transport would inherit the 20,000-mile rail network, duly paved to form the finest motor road system in the world, immeasurably superior to the 8,270 miles of trunk roads and 19,672 miles of Class 1 roads with which the bulk of Britain's traffic at present makes do.

Nineteenth-Century Technique

Meanwhile, what is the cost to Britain of the defects in the dual transport system—road and rail?

The Highways Conference organised by the Institution of Civil Engineers in November 1957 arrived at a figure of £500 million a year wasted in delays due to traffic congestion on the roads. That was on the modest basis that ideally motor traffic should flow at no more than 40 m.p.h. in rural areas and 25 m.p.h. in urban areas. Measured against the far higher speeds that would be normal on the converted railway system, rural and urban equally, the waste would come out at a far higher figure.

Then, quite separately, there is the comparable waste occurring on the railways where the delays in overall,

door-to-door transit are even greater than on the highways. vehicles when mid-twentieth-century, free-running, door-to-door vehicles are available.

All in all, Britain must be impoverishing herself to the extent of at the very least £1,000 million a year through clinging to the nineteenth-century technique of using railbound the explosion?

An Arab Common Market?

ECONOMICS OF NASSERISM AND SYRO-EGYPTIAN UNION

Egypt's Exports 1956

Total	£130 million	28%
to Western Europe	40 million	24%
to Eastern Europe	34 million	6%
to the Middle East	8 million	1%
to SYRIA	1 million	

Egypt's Imports 1956

Total	£192 million	38%
from Western Europe	70 million	19%
from Eastern Europe	36 million	6%
from the Middle East	12 million	1%
from SYRIA	1.2 million	

From Jewish Observer and Middle East Review

Money

MONEY is the universal token in the many-sided framework of Society as well as the cornerstone of our economic system. It is essential to the conduct and smooth running of everyday life; essential to health, wealth and happiness. To have money is to be prosperous and free; without it there is poverty and privation. Money is the most commonplace and matter-of-fact thing in the world; yet, owing to the shortcomings of our educational system in money science, and of the money system itself, there is hardly any other factor in civilised life concerning which there exists greater ignorance and less inside knowledge and comprehension than is the case with the creation and issue of money. However, because the present money system is being abused and mismanaged does not alter the fact that money in itself is an excellent thing. Indeed, it is the only device ever invented to give and guarantee man his economic freedom. It is not so much the fault of money, therefore, as the abuses inherent in the money system, and the resistance shown by powerful interests to institute reforms in conformity with the progress and improvements made in practically every other sphere of science and industry.

From Editorial, N.Z. Mirror, December 1957

Mono-Rail Link with Airport?

A PLAN to cut the capital cost by half and provide a much speedier service in the rail link between the West End and London Airport is being pressed by Air Rail Ltd, formed to build mono-rail systems, the first of which would presumably be this airport venture. Prospects that the Minister of Transport will eventually sanction the link have been brought nearer by the visit to Cologne of Mr G. R. H. Nugent, Parliamentary Secretary, to inspect the German mono-rail which 'favourably impressed' him. The proposed British system is said to be well in advance of the German, to be capable of carrying railcars holding 100 passengers at 70 m.p.h. and of cutting the time from London terminal to the aircraft itself to some 20 minutes. The capital cost is said to be about £500,000 a mile, the double track to the airport thus involving about £8m., against an estimated normal rail link outlay of some £17m.

Three Years

The car would be about the same size as that of an Underground carriage. It would have wheels beneath as well as above, so that it could leave the mono-rail and be driven across the airport to the door of the plane. It is suggested that, if approved within reasonable time, the project could be in operation within about three years from now. The

system would run mainly alongside and above existing rail tracks as far as Feltham.

The project would be a private venture involving no public funds. It would be built by a group of industrialists headed by Sir Alfred Bossom, M.P., and including representatives of Tube Investments; John Mowlem, Gloucester Railway Carriage and Wagon; Associated Portland Cement; and Concrete Ltd.

Faster

The need to do something radical about access to London Airport has long been evident. Since in 1957 some 3m. people used the airport and the number by 1970 is expected to rise to about 12m., schemes to improve road access are not likely to be enough. A rail link has, therefore, been closely considered. The big advantages of the mono-rail, if it passes the stringent technical and safety tests to which it will be subjected, are first the low capital cost and, secondly, that it makes little or no demands on ground space. Moreover, it is faster and more elastic, so that it will tend to encourage air travel especially over shorter distances within the U.K.

If this project in fact does go forward, it may well pave the way for other mono-rail systems design to relieve congestion in many urban areas where traffic is heavy.

From The Statist, February 1st, 1958

Progress in Ulster

UNEMPLOYMENT is Ulster's most persistent problem. It has always been heavy, principally because of the State's lack of raw materials, separation by sea from the principal market and a population which is increasing rapidly.

Convinced that in the expansion and development of industry lies its best hope of solving the problem, the Government has invested heavily in providing inducements to new undertakings and the means of modernisation for established concerns.

Although unemployment remains high—it is seven per cent at the moment compared with 1.3 per cent in Britain—there is evidence to show that the development policy is making headway. According to a recent census of production, employment in industry in 1956 was higher than ever before. It totalled 213,000, plus an estimated 12,500 in firms which are less than ten employees which are exempted from the census. This is an increase of more than sixty per cent compared with 1935. In other words,

between eighty and ninety thousand new jobs have been created in the last twenty years or so.

Another indication of the extent to which industry has expanded is the spectacular rise in the value of gross output. It was worth £459 million in 1956, an increase of eleven per cent on the previous year and of eighty-four per cent compared with the 1949 figure. It is nearly eight times the 1935 total. Even when allowance is made for the reduction in money values, these are still remarkable achievements.

Although about 150 new undertakings representing a range of more than a hundred manufactures have commenced production since the first industrial assistance legislation was introduced, Ulster is still far short of saturation point industrially. With an abundance of sites close to excellent communications, surplus labour of high quality and financial inducements unobtainable elsewhere, Ulster offers a first-class opportunity to the firm bent on expansion.

Editorial—From Ulster Commentary, January 1958

Production and Consumption

UNITED AUTOMOBILE WORKERS OF AMERICA'S RESOLUTION

BEHIND the entire collective bargaining programme is the union's conviction that the current fall-off in production and employment in the U.S. is due to 'the lack in purchasing power as compared to the rise in productivity capacity. We need a massive injection of purchasing power into our economy in order to establish a dynamic balance between production power and purchasing power', the resolution declared. The union also maintains that its demands are not inflationary and can be met out of the past profits and current income of the industries.

From U.S. Labour News

Reader's Commentary

AID, GOLD, AND THE STRENGTH OF STERLING

FROM M. L. GRAHAM, 3 Fox Lane, Flushing, N.Y., U.S.

APART from conventional aid programmes, ought not consideration be given to raising the price of gold and the cessation of the boycott of sterling? A change here would do more than billions of dollars worth of aid, setting free the economy of the whole sterling area.

The Commonwealth is the free world's largest producer (80 per cent) and exporter of gold, and Professor Harrod has calculated that pegging the price at the 1938 level of \$35 per ounce has cost the Commonwealth £8,000,000,000 since the war (i.e. about \$40,000,000,000 at \$5.00 to the £). This is many times more than any borrowing and nearly 100 times net borrowing (borrowing less repayments only about \$500,000,000). Britain has perhaps been the principal sufferer because she has had to pay not only her own but the adverse balances of the other members of the sterling group which should have been settled in gold at its commercial price (two or three times the 'official' price). This is the fundamental reason why Britain's reserves have not grown. (The producing members of the sterling area have largely emancipated themselves by selling a large part of their production to hoarding countries at higher prices, e.g. India, France.)

In this connection, the very unfavourable propaganda effect abroad should be noted—the blatant rejection of the American profession of Free Enterprise. The Federal Reserve Bank of New York, commenting on the current decline in commodity

prices, remarks, 'fluctuations in commodity prices are one of the manifestations of the workings of a free economy'. Surely therefore if some are allowed to fall, others must be allowed to rise.

As regards the boycott of sterling, i.e. the refusal of the U.S. and Canada to accept payment in anything except gold or dollars (and the refusal to allow others to do so, e.g. the Anglo-American financial agreement on Germany, O.E.E.C., etc.) means that as there are not enough dollars in international circulation for Britain to maintain sufficient dollar reserves to pay the adverse balances of herself and of the rest of the sterling area, she is forced to convert sterling bills into gold, always again at a tremendous loss. Additionally it of course automatically hardens the demand for dollars and softens that for sterling. It is interesting to note that nevertheless, as the U.S. has been unable to find sufficient external dollar markets for its agricultural produce, it has accepted sterling from other countries and there is now an active sterling market in New York, and Canada will doubtless be obliged to do the same.

Thus the British continue to maintain sterling as the leading international currency, it finances over 50 per cent of international trade, because as an island with limited natural resources sterling convertibility is essential to buy food and raw materials vital to survival, whereas for the dollar foreign trade is a luxury of a self-supporting country, i.e., it is not a

paradox but in the nature of things despite the strain and the efforts to supplant it of its more powerful competitor. A measure of the strain is the fact that £250,000,000 of bills fall due every week and are replaced by fresh issues to the same amount at a discount of 6½ per cent.

The Russians—more far-seeing—have not boycotted sterling and for some time sterling bills have circulated via Poland and are accepted behind the Iron Curtains and recently another big step was taken in the Russo-Japanese agreement when they agreed to settle their balances in sterling. Also, we must not forget that Mr Khrushchev offered a £1,000,000,000 gold loan to Great Britain, and although Sir Anthony Eden turned it down, a future Government might well accept. Let us also remember Karl Radek's observation in 1928 that 'until the Washington Conference, the Soviet Union might well have co-operated with the British against the dollar', for Russia needs British exports today.

A sterling-rouble bloc with the rouble alone outproducing the dollar (and of course the sterling area with *The pound is already backed by a wider range of goods and services than any other currency.

its vast resources eventually doing so as well)* and with the prospect of raw materials denied to outsiders, would be unbearable to contemplate—that is to say, for everyone except bears.

Britain stands, forced by present policies, with her back up against the Iron Curtain. If she is to be given the choice of 'staying with America and losing her identity' (to employ the distasteful jargon of the State Dept.) and thus making a farce of both her recent and distant past, or being pushed through, there is no question where she will go.

Already a Government supported by a minority of public opinion is desperately struggling to keep the 'American connection' by semi-constitutional methods (abandonment of sovereignty, etc.).

Change of policy, as indicated, would once more make the Commonwealth the equal of the U.S.; and this then is the real challenge that faces America—whether to accept others as equals—besides which Sputnik is a minor technical matter (which it always was, ever since old Werner von Braun failed to achieve anything with his Vees, back in '44).

Digest Spotlight focuses on

The Right Hon. Walter Nash, P.C.

Prime Minister of New Zealand

THE RIGHT HON. WALTER NASH, P.C., Member of Parliament for Hutt, near Wellington, became Prime Minister of New Zealand, following the victory of the Labour Party in the general election held last November.

Walter Nash, who is seventy-five, was Minister of Finance in the New Zealand Labour Government from the time it came into power in 1935, until it was defeated by the National Party in 1949. He is, therefore, no stranger to the problems at present confronting his country in the balance of payments crisis which has resulted from the serious fall in prices for New Zealand's main exports—butter, cheese, wool and meat. An article published on page 108 of this issue illustrates the difficulties which the Labour Government inherited when it was returned to power, and this must take Walter Nash back to 1936, when, as Finance Minister, he came to London to try and persuade Britain to take more of New Zealand's dairy produce to enable his country to meet its payments to us.

Energetic steps are now being taken to try and put the facts of the situation before the British public; the President of the New Zealand Federation of Labour recently commented: 'It would be of great assistance if public opinion in Great Britain could be rallied to help New Zealand, just as New Zealand has in the past rallied to Britain'. It is to be hoped that the plea will not go unheard.

Walter Nash was born at Kidderminster in 1882. He was educated

at a church school and then spent three years working in a solicitor's office. He then moved to Birmingham where he spent twelve years, at first with a cycle manufacturing firm and later in his own trading business. He married in 1906, and then migrated to New Zealand three years later. For a time he was agent for British manufacturers and publishers, but he began to take an interest in politics, being first associated with a group of radicals who eventually coalesced into the New Zealand Labour Party. This led in 1922 to his becoming a full-time National Secretary to the young and struggling group, and during the ten years in which he held this office, Labour's parliamentary representation increased from eight to twenty-four members.

Election to the House of Representatives came in 1929, and Walter Nash has since served continuously as the Member for the Hutt constituency. He was National President of the Labour Party in the year of its first victory, 1935. Before he became a Minister he had several times represented New Zealand abroad—in 1920 at the second I.L.O. conference at Geneva; in 1927 as leader of the New Zealand delegation to the conference of the Institute of Pacific Relations at Honolulu; in 1933 to the I.P.R. conference at Banff; and in the same year he attended at Toronto the conferences on Commonwealth Relations and of Pacific Port Authorities.

In the 1935 Labour Government Walter Nash held the portfolios of Finance, Customs and Stamp Duties,

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Forthcoming Meetings

Economic Research Council.

Thursday, 6th March. — Speaker: Mr A. A. Shenfield, Economic Director, Federation of British Industries. 55 Park Lane, W.1. 8.15 p.m. For further details apply

Secretary, Economic Research Council, 55 Park Lane, W.1.

Holidays 1958.

Costa Brava.

Editor recommends Langdon-Davies, Guest House—San Feliu de Guixols, Spain. Guests welcomed for Easter, June and July. Send for brochure giving full details.

and from 1936 the new portfolio of Marketing. Immediately following the implementation of measures to combat the depression which had lingered since 1930, financial policy took on a new significance with the onset of war. The £640 million cost of the war effort was more than half met from taxation, sparing use of credit helped to restrain prices, and no overseas debt was incurred.

As Minister of Marketing, Mr Nash was responsible for legislation which reorganised the disposal of major types of primary produce and set up the guaranteed price scheme for butter and cheese; and as Minister of Social Security in 1938 he introduced the historic legislation of that year, giving effect to the widely-known New Zealand Social Security

Scheme. Throughout the Second World War Mr Nash was a member of the New Zealand War Cabinet; in 1940 he was appointed deputy to the Prime Minister (Mr Peter Fraser); and in 1942 he was appointed Minister to Washington and member of the Pacific War Council until 1944. During these years he continued as Minister of Finance, returning to New Zealand as necessary to prepare and present the Budgets.

Labour lost office in 1949, and following the death of Peter Fraser in 1950, Walter Nash was unanimously elected Leader of the Opposition. He visited Britain unofficially in 1952 and officially for the Coronation in 1953.

FOOTNOTE

NEW ZEALAND and Denmark are bringing the matter of dumping butter in the United Kingdom by Sweden and Finland before the committee of the General Agreement on Tariffs and Trade. The situation for them cannot but be a very serious one. In two years the export of butter from Finland to the United Kingdom has risen from nothing to over twenty thousand tons and in the case of Sweden from nothing to fourteen thousand tons. The procedure in G.A.T.T. is very cumbersome and slow, but there is provision for the immediate imposition of anti-dumping duties in anticipation of subsequent approval. The New Zealand Minister of Agriculture has pointed out that our Board of Trade has to consider whether the imposition of anti-dumping duties is in the national interest for the United Kingdom.

It seems to be a question of doing something to help our best customer at the expense of some of our worst. It is possible, although it has never been proven, that if one could for ever buy stuff from foreign countries for less than it cost to produce, it might be of great benefit to this country. It cannot, in any circumstances, be of benefit to accept large quantities of an under-cost material purely as a temporary phase in overseas buying when such an action is gravely to the detriment of persons with whom we have long term prospects of good trade.

It should be remembered that the wholesale price of butter per cwt. in Finland is 600s. and in Sweden 515s.; this butter is sold on our market at 240s. Even allowing for excessive exploitation of the home market both these countries must be selling over here at very considerably less than the cost of production.

The Uncommon Market

ON the first day of this year the European Economic Community, or 'Common Market' as it is more popularly known, came into being. Extending across the heart of Europe from the Baltic to the Mediterranean, the six nations comprising the Community—Germany, the Netherlands, Belgium, Luxembourg, France and Italy—cover an area somewhat larger than the Province of Ontario. Their combined population is nearly as large as that of the United States, although they produce only a third of the output of that country. In addition there are the overseas territories of France and Belgium—which together comprise nearly half the continent of Africa—and of the Netherlands and Italy, these being associated with the Community. It is no exaggeration to say that the unification into one single market of these widely different economies, some of them among the least developed and others among the most industrialised parts of the world, could have a profound impact on their development; it might also have important implications for the rest of the world, including, as a major producer of raw materials, Canada.

The Common Market is a very uncommon one in many respects. Indeed, in the history of modern civilisation it is hard to find another instance of nations with such varied interests voluntarily banding together to form a single economic community on such a scale. In more

limited spheres, however, there have been precedents. In 1948 the Netherlands, Belgium and Luxembourg joined together in the customs union of Benelux. The same nations that now comprise the Common Market took a major step towards economic integration in 1951 when they established the European Coal and Steel Community, under which the member states surrendered the control and administration of their coal mines and steel plants to a central authority. Both of these ventures have proved highly successful, although they have yet to be tested by a major international recession, and their success has encouraged the setting up of the European Economic Community.

Customs Union

The main feature of the E.E.C., and certainly the most important as far as the rest of the world is concerned, is the customs union. Gradually, over three stages of four years each, the duration of which may be extended according to carefully elaborated rules but may not exceed in total fifteen years, the member states are committed to remove all tariffs and other restrictions on trade with each other. They will also gradually adjust their tariffs on imports from countries outside the Common Market until, at the expiration of the twelve to fifteen year period, a uniform tariff structure will prevail.

A number of the tariffs that will

From Bank of Montreal Business Review, February 25, 1958