

## Digest Spotlight focuses on

### The Commonwealth Institute

IN THIS Special Commonwealth Institute number we turn our Spotlight on the Director and Deputy Director of the Institute.

Acquaintance with Mr Kenneth Bradley gives the impression of friendly efficiency and real enthusiasm for the Commonwealth and the Commonwealth Institute. His training as a Colonial administrator has given him a wealth of practical experience, willingness to accept important responsibility and a capacity to make bricks without straw—or at least make a little money go a long way in a good cause.

Mr Bradley joined the Colonial Administrative Service in Northern Rhodesia in 1926 and had experience not only of provincial administration but as Information Officer during the years of war. He left Northern Rhodesia in 1942 to become Colonial and Financial Secretary in the Falkland Islands. His next post, that of Under-Secretary, was in the Gold Coast. He acted there as Colonial Secretary for various periods in 1946-1947 and was Chairman of the committee which led to the establishment of University College.

Mr Bradley retired from what has since become the sovereign realm of Ghana and became the first editor of the magazine *Corona*, an attractive journal read with interest in and beyond the ranks of Her Majesty's Overseas Service.

He left *Corona* and came to the Imperial Institute in 1953. This largely educational post is not inappropriate for one who had two great-uncles who were Professors at

Oxford. His three brothers, and Mr Bradley himself, all served in the Indian Civil Service or Colonial Service; three of them are now back in the educational world.

Mr Bradley is the author of a number of books about Africa and the service of the Crown in the Colonial Empire. His best-known and perhaps most enjoyable work is *The Diary of a District Officer*.

Mrs Mary Burke is not only Deputy Director of the Institute, she is also its Chief Education Officer, and when it is realised that the Institute arranges over seven thousand lectures a year, principally to schools, it will be realised that this post is no sinecure. Under her guidance the Institute has made a speciality of one day study conferences, arranged in co-operation with local education authorities. At these study conferences, several hundred senior pupils drawn from schools in the area are given the opportunity of studying some aspect of Commonwealth development by listening to experts on their particular topics. The lectures are followed by the pupils breaking up into study groups to discuss the subject and formulate their questions which are then put to the lecturers at a final session. Not only do school-children have the benefit of the Institute's educational work, there are also conferences arranged at training colleges, to give teachers themselves the benefit of listening to expert lectures on Commonwealth affairs.

Mrs Burke is well qualified to tackle this important educational

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### The Sterling Area

THE NATURE of the Sterling Area in general, and the sterling balances in particular, is still imperfectly understood in this country. The sterling area grew up as an association of countries which used sterling to finance most of their foreign trade and consequently kept their reserves in sterling and regarded London as their banking centre. This was largely due to the fact that in the latter half of the nineteenth and the early part of the twentieth centuries, which was a formative period for many of the Sterling Area territories, London was the leading world centre for both trade and investment, and also exported a constant supply of capital for new development. Most of the members of the Sterling Area have naturally been those countries making up the British Empire or Commonwealth, but there has always been a fringe of other countries included in the area for economic reasons. For all these countries, as has been well said, 'the really fundamental conditions were that, due to the trading and lending position, sterling was always useful and sterling was always available'.

#### Exchange Control

During the Second World War it was necessary as part of the war effort to introduce exchange control and consequently to define the limits of the sterling area. In the post-war decade, the world-wide shortage of dollars has necessitated the maintenance of exchange control and,

whereas sterling circulates freely within the area, dollars can only be obtained with official permission. It should be emphasised that the free circulation of sterling is the important characteristic of the sterling area; the restriction on dealings in dollars is a separate issue.

Trade trends in the past decade indicate that the forces which brought the sterling area into existence continue to operate. The proportion of total Sterling Area trade which is carried on between Sterling Area countries is higher nowadays than it was before the second world war and, furthermore, countries in the area continue to use sterling in the settlement of the bulk of their transactions outside the area. It follows that all these countries still regard London as their banking centre and keep their surplus assets in London.

#### Sterling Balances

Sterling assets held in London have come to be known as the sterling balances. Attention was first concentrated on them after the second world war, when it was realised that during the war they had grown to the very large figure of £3,755 million, of which at December 31st, 1946, roughly £2,428 million were held by sterling area countries and £1,301 million by non-sterling area countries. By June 30th, 1957, the balances held by non-sterling area countries had been reduced by over one-half to £569 million, but the

*From Overseas Review, March 1958, Barclays Bank D.C.O.*

balances of sterling area countries had increased to £2,925 million; in this period the colonial balances in particular rose from £504 million to £1,309 million.

It is not unusual for the existence of these large balances held in London on behalf of Colonial Territories to be used as a criticism of the United Kingdom. It is sometimes implied that the Colonies have to leave funds in London which they would prefer to use elsewhere. Reference is also made to the considerable capital investment by the United Kingdom in the Colonies, and it is said that London is 'borrowing short and lending long'. There is an element of technical truth in this criticism, but in the main it reflects an insufficient appreciation of the banking functions which London performs on behalf of other Sterling Area countries.

#### Normal Surplus

The sterling balances in London arise in the first place from the normal surplus on commercial and financial operations. They accumulate not as a result of decisions imposed in London but in accordance with the policy of the country concerned, which remains in complete control of the funds. As regards Colonial funds, London still offers the best facilities for their convenient and profitable investment. Rather more than one-quarter of the Colonial balances is held in cash, treasury bills, or other liquid forms. The balance is invested in longer-dated holdings. It is not, therefore, wholly correct to describe the Colonial balances as mainly 'short term' holdings. In the books of the territories concerned they appear as currency reserves (the largest single classification), sinking, savings bank and pension funds, and a wide

variety of government reserves. They include also the London balances of commercial banks operating in the Colonies.

#### A Central Council?

While the major part of the sterling balances held in London by the members of the Sterling Area is most unlikely to be withdrawn at short notice, it must be remembered that the holders have the right to call for repayment at any time. Total repayment could only be effected over a period of years, and even repayment of a proportion, if demanded by a number of countries simultaneously, would present awkward problems. So far, London has been able to avoid this difficulty because it has generally happened that the running-down of balances by certain territories has coincided with the building-up of balances by others. The situation is analogous to that of the commercial banker who relies on only a small proportion of his customers requiring repayment in cash at any one time. As regards London and the rest of the Sterling Area, the problem is both more and less difficult than that of a commercial banker—more difficult because individual countries hold very large sums, less difficult because their number is limited and it should be possible to arrange concerted action between them.

#### Commonwealth Liaison Committee

The present arrangements for consultation among the various governments have a typically British air of informality. There is in London a Commonwealth Liaison Committee which 'provides a useful forum for the exchange of information on economic affairs'. At a higher level, Commonwealth con-

ferences which discuss economic affairs are held at infrequent intervals, and serve a valuable purpose. It is permissible to wonder, however, whether in a matter of so much common and current concern, it would not be advisable to set up a central council at a fairly high governmental level to keep a constant watch on economic affairs and to ensure the maximum degree of co-operative action.

## Lord Genghis Cohen: Or, Catching a Tartar

A MYTH is being built up, of three hard-faced old men, presided over by Lord Genghis Cohen, who have said 'More unemployment: that is what we need. Back to the thirties: those were the days.' I have the impression that quite a lot of people, if asked what was in the Cohen report, would say 'Those were the chaps who wanted more unemployment.'

We certainly recommended disinflationary policies—or rather, we commended those which the Government has taken. Now it is of course open to argument whether disinflationary policies were right—I shall discuss this later. But I think that anybody who is acquainted at all with problems of economic policy will agree that there are bound to be times when disinflationary policies are needed. All Governments since the war have had to take them from time to time. It is not, that is, extreme or indeed even unusual, to say that the circumstances call for disinflation. Reasonable people may differ, at any particular time, as to the circumstances which justify disinflationary measures and as to their timing; but they should be able to discuss their differences without bit-

terness, or accusations of hardheartedness and lack of sympathy.

#### Effects of Disinflation

Had we left it at that—and simply commended the Government's disinflationary steps—there would probably have been little outcry. What we did—the crime, if you like, of which we are accused—was to go on to point out that disinflationary policies, in the nature of things, tend to cause some increase in unemployment. That is true of any disinflationary policies—not just of the particular ones which the Government used in September; to take an example, if you hold back investment in factory buildings—whether you do it by high interest rates, or by changes in taxation, or by building controls—the effect is the same: to reduce the demand for labour in the building industry. It seemed to us only honest to mention that disinflation has this effect: it is part of the cost of any such policy, and it should be put in the balance, and weighed against the advantages which that policy will bring. We do not take the view that any increase in unemployment automatically outweighs those advantages: if unemployment is low,

*From Council on Prices, Productivity and Income.  
Lord Cohen, speaking to a discussion group of economists, 27.3.58*

a small increase may be a reasonable price to pay, if by paying it price stability is won. For there are sufferers either way: certainly those who are unemployed suffer; but so on the other hand do those people on fixed incomes whose real standard of living is eaten away by rising prices.

This doctrine—that it is sometimes appropriate to disinflate, and that this will have some effect in increasing unemployment—is not a new one, of course. It has been recognised, sometimes explicitly and sometimes tacitly, by all post-war Governments. For instance, if you look at the Economic Survey for 1948, you will see that the Government then expected that its disinflationary policies would produce an increase in unemployment of 150,000 in a year. Or again, in the Economic Survey for 1950, you will find an increase in unemployment of 40,000 envisaged. If, then, because we recommend policies which may lead to unemployed men, at any rate we are not alone in this. Others before us have done the same.

#### Damp Down Demand

I want now to turn to another criticism—that we have been hard on wages and soft on profits; I hope to persuade you that this is not so—that policies we commended would, if anything, hit profits harder than wages; and further, that the wage-earner, in the long run—and not such a long run at that—would not lose as a result of these policies.

The policies we commended were designed to damp down demand. When demand is damped down, then it is to be expected that the first incomes to suffer will be profits. Companies find it more difficult to pass on any increases in costs: they

find that competition is keener: and profits are squeezed. I think the signs are already there that this has begun to happen; in the recent F.B.I. enquiry, for instance, over half the firms who replied reported that profit margins fell over the last six months, and nearly half expect them to fall in the next three months. Only five per cent report a past increase or expect a future increase. Only fourteen per cent think they could pass on higher costs in higher prices. That is, I think, good evidence that our view was correct: the damping down of demand is hard on profits. So it can be expected to be hard on dividends, too; informed opinion seems to consider the prospect of further increases to be rather poor. I don't think anyone who looks at the trend of share prices since September can seriously suggest that the shareholder has benefitted from the September measures.

So I do not think that it fits the facts to say that we have been soft on profits and dividends. Nor do I think that, in the long run, the policies we commended would in fact be hard on the wage-earner.

#### Three Reasons

It is true that we said that, if this year's wage-round were as big as the rise in retail prices over the last year, then it would, in our view, be too big: that is, it would be followed by further price-rises. This may seem hard doctrine—involving as it does some small reduction in the standard of living. But we thought it was justified, on three grounds. First, if ever the wage-price spiral is to be broken, something like this, at some point or other, has to happen: and it was in our view worth paying some price to break the spiral, and stop the rise in prices. Secondly, the advantage

to the wage-earner from a wage-increase bigger than justified by the increase in productivity is largely a temporary one. For such a wage-increase invariably leads to higher prices which soon cancel out the value of a good part of the increase. A small wage-round, on the other hand, in line with the movement of production, would be a real increase and not just a money increase. Put crudely, if wages rise six per cent and prices rise three per cent, the wage-earner is no better off at the end of it than if wages rise three per cent and prices do not rise at all.

The third justification for saying that wages should not rise by as much as the cost of living is this: once the rise in prices is clearly and certainly seen to have stopped, then it will be safe for economic expansion to begin again. The gain from this would more than compensate for any temporary loss which might result from following our advice in the matter of wages.

#### No Affection for Unemployment

To sum up so far: we certainly commended disinflationary policies. But we did not do so from any affection for unemployment: rather we thought that a small rise in unemployment was part of the necessary cost of such policies, and should be taken into account when the balance was struck. Further, such policies are not hard on wages, and soft on profits and dividends. It is not true that these policies single out the wage-earner; it is not true that he is being called on to make sacrifices while no other sections of the community make any. Now I come to a third criticism: were we right—at the time when we wrote the report—to commend disinflationary policies at all? Was this the

right remedy? Should we rather have recommended policies which lead to economic expansion? There are those who argue that we should have done this: that the economy is underemployed, and could produce more, and that the danger this year is of stagnation, and indeed possibly of recession; so the Government should take measures, not to damp down demand, but rather to blow it up.

#### Check to Incomes

We were not persuaded that policies of economic expansion could safely be undertaken. First of all, we did not believe that they were compatible with stopping the long rise in prices. The historical evidence suggested to us that, on more than one occasion, a too hasty move to start expansion again has also served to start prices rising again. The pressure must be given a fair chance to exert an influence on the level of wage settlements, and on the habit of passing on all increases in costs to consumers, with higher profits added. The Council took the view that policies directed to economic expansion might raise production, but that they would raise incomes more—whereas if demand is held back, this would administer a bigger check to incomes than to production.

We were willing to accept a temporary check to expansion: but that does not mean that we were indifferent to the need for a high level of investment. On the contrary: we recognised that over the next decade the proportion of our resources which went into investment ought probably to rise; and, for the immediate future, the figures made available to us did not suggest that the Government's measures would bring about any substantial reduction in either public or private investment.

## An 'Income Tax Depression'

THE TAX which attracts the most attention is the personal income tax with all its well-advertised inequities. Time and again revision of rates has been postponed because it would be 'inflationary'. For similar reasons—and perhaps also because corporations cannot vote—scheduled reduction of the corporate income tax from fifty-two to forty-seven per cent has been postponed year after year.

The House Ways and Means Committee, which has been holding hearings on the question of tax reforms, has listened to some eloquent testimony on the discouragements of taxation. Tyre Taylor, representing the Southern States Industrial Council, testified that the present 'near-confiscatory individual and corporate income tax rates' are 'so fantastically high as to be, in a quite literal sense, self-defeating'. From a strictly revenue standpoint, he added, 'they have passed the point of diminishing returns and we are now threatened with what someone has aptly called an "Income Tax Depression".'

### Tax Discouragements

The Ways and Means Committee got a good straight account, from a long succession of witnesses who could speak from first-hand knowledge, of the tax discouragements faced by enterprising people in the United States. As Tinsley W. Rucker, president of a small company in Jacksonville, Florida, reminded the Committee:

In our type of free society, we don't accomplish things by cracking a whip. We offer inducements

and opportunities for men which lead them to work and plan and save.

Ours is far and away a better method, but it cannot be stifled if it is to give us the needed results.

We have paid lip service to the dignity of human effort and achievement, but have a tax system whereby the harder a man works and the more he earns, the less his efforts mean to him.

... Would it have been possible for us to enjoy the benefits in our homes today had the companies which produced these fine products been shackled with such a tax load in their growing years? Are we by our tax structure going to eliminate the growth of new industry? ...

### Shackles on Progress

H. W. Prentis, Jr, chairman of the Armstrong Cork Company, once observed that people generally do not realise what has been done to them with taxes at their present levels:

We should never forget that, while the welfare of the so-called common man is of vital importance, it is only through the initiative and ingenuity of the uncommonly gifted individual that the general well-being can be further advanced. Some specific evidence of what these taxes have done was offered the Committee by Robert A. Ewens, executive vice-president of the Wisconsin Manufacturers Association:

There is no question that the most vexing problem is that of taxation. As now constituted, it insured, among other things, a

growing monopolistic trend because it stifles growth. ...

Risk capital supplied by individuals built Wisconsin industry. Men willing to gamble a few thousand dollars or tens of thousands of dollars on an idea were encouraged to do so by tax laws which did not penalise the accumulation of wealth or its reconstitution if impaired.

That is what built the plants that now employ 2,000, 5,000, 25,000 in my State.

It is significant that not since 1930 have we had in Wisconsin an instance of a single company growing from humble beginnings to stature as one of our leading industrial establishments.

... Piecemeal corrective tax legislation to rectify these situations is not the answer. A patchwork to aid special groups evades basic principles. Industry is indivisible. It cannot be divided into small and large.

... If we are in truth a free people, our government must abolish confiscatory policies such as now permeate our tax laws, and we must restore the spirit of enterprise and reward to small and large alike, treating one citizen as another.

John A. Gosnell, general counsel of the National Small Business Men's Association, reminded the Committee that:

We are engaged in a long, gruelling race against the Soviets, the outcome of which will not be determined by isolated, though dazzling, achievements such as the 'sputniks', but will be by long-range economic staying-power.

The time has come, at long last, to recognise that this staying power cannot be developed under a tax

rate structure which cripples the fundamental economic process.

### The Imaginative Approach

Dr Charles F. Phillips, an economist and president of Bates College, pointed to the falling federal revenues under the impact of recession and urged 'a carefully planned programme for a reduction in taxes' as the way to regain a balanced budget. 'With lower rates', he said, 'we may well help to generate an upswing in economic activity which will give us the total revenue we need to meet our essential expenditures and still keep a balanced budget.' That is what we did in 1954.

Dr Phillips, and numerous other witnesses including all those quoted above, spoke in advocacy of the Sadlak-Herlong bill which would reform the income tax structure over a five-year period and wind up with a rate schedule running from fifteen to forty-two per cent for individuals and a forty-two per cent rate for corporations. It is doubtful if there is any action Congress could take that would so brighten the economic outlook and revitalise efforts to produce and sell and go ahead.

This bold approach, curiously, is also the one which, with reasoned control over federal expenditures, would hold the highest promise of rebalancing the budget. There is no question but that more taxable income would be earned and reported under an easier set of rates. Prosperity demands more than cheaply-created money purchasing power; it demands enterprising work effort. If Congress wants private enterprise to offer more employment the means are readily at hand to make it possible.

## European Community

### AVERAGE GROSS HOURLY EARNINGS

	1953	1956	Increase
<b>Germany (Fed. Rep.) (in Pfennigs)</b>			
Coalmines	220.2	282.9	+29%
Steelworks	212.8	259.2	+22%
Industry as a whole	183.5	218.0	+19%
<b>Belgium (in Belgian francs)</b>			
Coalmines	29.69	39.38	+33%
Steelworks	30.36	34.68	+14%
Industry as a whole	25.49	30.31	+19%
<b>France (in French francs)</b>			
Coalmines	178	212	+19%
Steelworks	156	210	+35%
Industry as a whole	142	184	+30%
<b>Luxembourg (in Belgian francs)</b>			
Coalmines	42.58	45.37*	+7%
Steelworks	33.07	37.34*	+13%
Industry as a whole	30.65	33.07*	+8%
<b>Italy (in lire)</b>			
Coalmines	229.60	268.06	+17%
Steelworks	184.45	204.98	+11%
Industry as a whole	171.09	200.42	+17%
<b>Netherlands (in florins)</b>			
Coalmines	1.58	2.01	+27%
Steelworks	1.50	1.88	+25%
Industry as a whole	1.18	1.56	+32%

\*1955 Figures.

From Bulletin from the European Community, March 1958

## Commonwealth Survey

### (1) PAKISTAN'S FILM INDUSTRY

Pakistan's film industry celebrated its maiden Film Festival in January, 1957. It was a sign that the industry had overcome the tremendous odds ranged against it—it had struggled and come of age.

In Pakistan, in the sphere of public entertainment, the cinema is by far the most popular recreation available to the public. In the absence of a national theatre, it holds undisputed sway in the field of amusement and has created for itself a patronage both large and ardent.

As one traces its somewhat chequered origin, it emerges that the region which today constitutes Northwest Pakistan has played a vital role in meeting the basic requirements of the cinema during its development in the sub-continent. In this contribution were included writers, directors and, above all, artists. Even today, people from this area dominate these fields of the film industry in the sub-continent.

#### A Poor Legacy

Independence left Pakistan the poor legacy of one studio, some battered equipment and a handful of raw technicians. The cinema-houses falling to our share numbered approximately three hundred, requiring at an average eighty local and three hundred foreign films annually. The conditions were obviously not too bright for an industry which was required to meet the recreational needs of approximately 103 million cinema-goers annually.

The competition from imported films became a considerable obstacle to the infant industry. In 1948, Pakistan, however, produced its first

film ('Teri Yad') which was a failure at the box office, mainly due to lack of technical and commercial know-how.

Not to be discouraged, a number of newcomers crashed into production, mostly with negative results. Simultaneously, the Government acquiesced to a union demand for a restriction of imports of foreign films. Alongside, promotion was also given to import modern studio equipment, and a number of overseas scholarships were awarded for the benefit of film technicians.

By 1950, three studios were functioning in Lahore and two additional units were installed at Karachi. In East Pakistan, permission was granted for establishing another film studio. Meantime, the number of cinema-houses increased to 375 in the country. Pakistan required at least eighty locally-produced films to feed its cinemas. The total output of the indigenous film industry averaged six full-length features a year. Working conditions, however, remained far from satisfactory. An intense struggle developed between film-producers and distributors resulting in a deadlock, and capital which had always been shy, became scarce as the warring elements refused to compromise.

#### Government Measures

At this stage, the Government once again stepped in and set up a

From Pakistan News, 23rd March, 1958

Film Advisory Committee in July 1950, on which the indigenous film trade was represented by permanent producers and distributors. The terms of reference of this organisation embodied a review of the working of the industry, conditions and removal of difficulties in its development and recommendations to the Government for its improvement and expansion.

In 1955, the Government invited an Italian mission of film experts to survey conditions in Pakistan's film industry. Among the mission's more significant recommendations were those for setting up of a Film Development and Finance Corporation, pilot studios and a Film Academy, to promote the standard of training for technical and dramatic talent in the industry. The East Pakistan Government has sanctioned the setting up of a film Finance Corporation with a financial capital of Rs. 10 million to stabilise film production in the Province. A delegation of local film producers and distributors is likely to tour the Middle East and the Far East to explore the possibilities of setting up distribution offices overseas.

Import of equipment and raw films has now been mobilised. In 1956, approximately Rs. 1.5 million worth of much-needed studio equipment have helped to streamline local production units. A new studio set up in Lahore will process colour films for the first time in Pakistan. In addition, foreign firms, among them Agfa, have plans to set up first-class processing laboratories for black and white and colour films at Karachi.

#### Rich Developments

The cumulative effect of all these measures has been rich developments

for the industry. The business of films, which had so far been a hazardous and speculative enterprise, has now found immediate response in the shape of solid capital investment.

The home cinema industry now boasts of a Rs. 50 million investment and provides gainful employment to nearly 30,000 workers.

The average investment required on a film is between Rs. 250,000 and Rs. 300,000, while ambitious productions might stretch upwards of Rs. 500,000.

The proof of the prosperity of this Pakistani industry can be gauged from the increase of productions to forty-five films in 1957, from merely one feature film ten years ago.

With production in indigenous studios increasing apace, it is obvious that the local film industry has successfully turned the corner.

#### Modern Equipment

There are now over fifty well-established distribution concerns and fifteen regular film production companies. Of the five studios now operating in Pakistan, the four in Lahore are double-staged units with modern equipment. The studio in Karachi has also two stages and is equipped with the latest technical refinements.

A few cinema houses in the larger cities of Pakistan screen almost exclusively foreign films. The imports include American, British, Egyptian, Russian and French features. Approximately Rs. 5 million of foreign exchange is spent in our foreign film imports annually.

Pakistani films have also had a successful reception in some foreign countries, specially in Indonesia, Africa, Iran and Goa, and some films

claim high figures for their overseas rights.

The film 'Intezar', produced in Lahore last year, won four of the six President's awards and was declared best film of the year, and also received a spectacular reception in neighbouring India.

### (2) NEW ZEALAND'S BIGGEST HYDRO PROJECT

NEW ZEALAND's largest hydro-electric power station is now under construction. It is Benmore, a gap between two high mountain walls through which the Waitaki River flows, and the forerunner of several stations in this South Island region.

Benmore will be one of the biggest projects of its kind in the Southern Hemisphere and by far the biggest ever undertaken in New Zealand—a country with a reputation for extensive and advanced achieve-

The Government seeks to promote a spirit of co-operation among local film producers, with a view to develop the cinematographic arts and to elevate the artistic values of the motion picture industry in Pakistan in accordance with international standards.

ments in the highly-technical field of water development.

When operating at its full installed capacity of 480,000 kilowatts, Benmore is expected to provide 2,100 million units a year—twenty-five per cent more than the whole of the North of Scotland Hydro-electric Power Board's schemes, and about twice the annual output of the largest single station in the famous Snowy River scheme in Australia. Its estimated cost is £36 million.

From *Forefront*, March 1958

### (3) FREE WORLD AND COMMONWEALTH CONSUMPTION OF CERTAIN RAW MATERIALS IN THE PERIOD 1949-55

Expressed as a Percentage of their Consumption in 1935-37

	Free World	Commonwealth
Crude Steel	167	167
Primary Copper	141	154
Primary zinc	146	122
Primary lead	113	90
Primary aluminium	565	691
Primary tin	88	111
Coal	99	129
Petroleum	263(a)	308(b)
Asbestos	280	342
Sulphur	173	238
Woodpulp	168	152
Rubber	150	219
Cotton	120	115
Jute	94	91
Wool	121	114

(a) Crude petroleum and natural gasoline.

(b) Petroleum in all forms.

From *A Review of Commonwealth Raw Materials*, Vol. 1  
(See page 162)

#### (4) COMMONWEALTH RESERVES OF SOME IMPORTANT MINERALS

**ABUNDANT**—Iron ore, copper, lead, zinc, bauxite, antimony, cadmium, chrome, cobalt, manganese, nickel, titanium minerals (ilmenite and rutile), gold, silver, platinum, asbestos, coal, diamonds, gypsum,

magnetite, mica, crude petroleum, sulphur bearing minerals, uranium.

**MODERATE**—Tin, natural abrasives, asphalt and bitumen, graphite.

**POOR**—Mercury, molybdenum, native sulphur.

*From A Review of Commonwealth Raw Materials, Vol. I (See Review on page 162)*

### Soviet Foreign Trade

The Soviet Union now trades with more than seventy countries. With forty-three of them it has trade agreements or treaties.

Exports of industrial equipment to the capitalist countries more than doubled last year, as compared with 1956. V. Rodnov, chairman of the Machino-Export foreign trade organisation, writes in the magazine *Foreign Trade*.

The number of countries with which Machino-Export has business contacts rose to thirty-six. Business relations were established for the first time with firms in Saudi Arabia, the Yemen, Ethiopia, New Zealand and the Sudan.

The biggest deals of the year were the sale of oil drilling equipment to India, printing machinery to India, Burma, Egypt and Mexico, spinning and weaving equipment to Egypt and Syria, and excavators to Argentina, Greece, Afghanistan, Iran, the Sudan and Turkey.

This year Machino-Export expects to extend its operations.

One of the oldest foreign trade organisations in the U.S.S.R., V.O. Razno-Export, has also extended its

export and import operations. Its volume of trade with capitalist countries last year increased by seventy-four per cent compared with 1956.

#### Afro-Asia

**Increases were especially great in trade with Asia and Africa to whom the Soviet Union exports cement, glass and other building materials, household appliances and other goods. The biggest consumers of Soviet cement and building materials last year were Iceland, Turkey, the Sudan and Ethiopia.**

Last year Razno-Export officials had nearly five hundred business meetings with representatives of firms in twenty-eight countries.

The Soviet Union is now one of the biggest importers of leather and hides and the biggest consumer of Indian small hides.

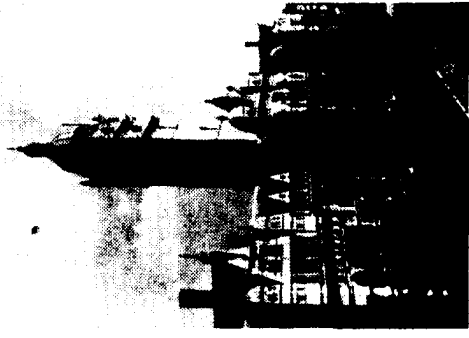
The volume of Razno-Export's trade will increase substantially this year. It will import large quantities of foot-wear, garments, tobacco and other goods and sell traditional Soviet export goods.

*From Soviet News*

## The Story of the Imperial Institute

THE IMPERIAL (now Commonwealth) Institute commemorates the Golden Jubilee of Her Majesty, Queen Victoria. It was a tribute not only from the peoples of the United Kingdom, but from those of the whole Empire. The proposal for commemorating the Queen's Jubilee in this way, and the name, were first put forward by the Prince of Wales (afterwards King Edward VII) in a letter addressed to the then Lord Mayor of London, Sir John Staples, in September 1886. The Prince's suggestion was welcomed with enthusiasm by the Lord Mayor, and a Mansion House fund was opened to receive contributions. An organising committee, under the chairmanship of the Lord Chancellor, Lord Herschell, was appointed by His Royal Highness to prepare a scheme.

This committee was later formally constituted, under the title 'The Organising Committee of the Imperial Institute', to carry out arrangements for the collection of funds from the public in all parts of the Empire, with a view to the establishment of an Imperial Institute; for the preparation of a Charter of Incorporation and a Form of Constitution; for providing a site and a suitable building for the Institute; and for planning its work on the lines laid down in the general scheme prepared by the Committee and approved by the Prince of Wales. His Royal Highness became the first President of the Institute. A poem written in 1887 by the Poet Laureate, Lord Tennyson, to commemorate the Queen's Jubilee has these lines:



*'Some Imperial Institute,  
Rich in symbol, in ornament,  
Which may speak to the centuries,  
All the centuries after us,  
Of this great Ceremonial,  
And this year of Jubilee.'*

#### Empire-Wide Response

The appeal for funds produced £413,000. Contributions were received from all over the Empire, and it is known that several million people subscribed. Special donations made subsequently for specific purposes, notably a gift of two lacs of rupees from Sir Cowasjee Jehangir, raised the total sum contributed to about £440,000. Of this, £140,000 was in accordance with the terms of the Charter set aside for endowment,

the remainder being spent on the building and the construction of Imperial Institute Road. The total sum ultimately spent on building and equipment amounted to £354,000.

In due course, a site was secured in South Kensington from The Royal Commissioners of the Exhibition of 1851 and Thomas Colcutt was appointed architect. The Foundation Stone of the new building was laid with great ceremony by Her Majesty Queen Victoria on the 4th July, 1887. A Royal Charter of Incorporation was granted on the 12th May, 1888, and a Form of Constitution and Government was approved by Royal Warrant on 21st April, 1891.

On the 10th May, 1893, in the presence of a large and august company, Her Majesty opened the building, which was then complete except for the Great Hall.

The Queen said in her reply to the Prince of Wales's presidential address:

'It is with great pleasure that I am here to inaugurate this building and to receive the address which you, my dear son, have presented to me on behalf of the governing body of the Imperial Institute. This has been erected by your exertions and with the efforts of those around you, and with the aid of my people in every clime and country, as evidence of the un-failing loyalty of my subjects. I recognise this Institute as a fitting symbol of the unity of the Empire, and it would be a matter of profound satisfaction if this association of the many and diverse countries under my rule should be the means of knitting them more closely together. The Imperial Institute is intended to promote this great purpose, and I now declare it open, with an earnest prayer that it may never cease to

flourish as a lasting emblem of the unity and loyalty of my Empire.'

#### Financial Difficulties

Unfortunately, in spite of this auspicious start, the Institute soon found itself in difficulties. The chief cause was the sudden and unexpected raising of its rateable value from £4,168 to £15,877. This unforeseen increase in the expenditure absorbed the whole of the settled income (about £4,000) from the endowment. The mortgage repayments due on a sum of £55,000, borrowed to complete the building of the North Gallery and for general purposes, could not be met. As a result, in 1899, H.M. Government discharged the debt and assumed responsibility for the building, allocating part to the Imperial Institute and part to the University of London.

On the death of Queen Victoria and the Accession of King Edward VII in January 1901, the Duke of York (afterwards King George V) accepted the Presidency. In December of the same year, the Governing Body decided by Resolution that, in the circumstances then prevailing, the objects of the foundation would be best promoted if the Institute and its property were placed, with proper safeguards, in the care of the Nation. In pursuance of this Resolution, negotiations resulted in the Institute's becoming public property, the Government undertaking to continue, so far as practicable, the activities for which it had been founded.

#### 1902-1956

The various arrangements for the future of the Institute, made in 1899 and subsequently, were given Parliamentary sanction by the Imperial Institute Act of 1902. Control was

vested in the Board of Trade and the Royal Charter was formally extinguished. By an agreement, made in 1907, the management of the Institute was transferred to the Colonial Office. This arrangement was given statutory sanction by an Act of 1916.

In 1923 a Committee of Inquiry under the Chairmanship of the Rt Hon. W. G. A. Ormsby-Gore made recommendations which led to the Imperial Institute Act, 1925. By this Act responsibility for the Institute passed to the Department of Overseas Trade, and the Imperial Mineral Resources Bureau was amalgamated with the Mineral Resources Department of the Institute. At that time the work of the Institute was, in part, concerned with scientific examination of raw materials from the Empire and the supply of commercial and technical information, and in part with educational functions centred in the public exhibition galleries. It was, however, mainly on its scientific work that the reputation of the Institute rested.

In 1949, by Orders-in-Council, the Institute's functions were, in effect, limited to education and public information and the scientific departments were taken over by the Colonial Office.

The Institute was placed under the control of the Minister of Education as a grant-aided body, and in 1950 the Minister appointed a Committee of Inquiry under the Chairmanship of Lord Tweedsmuir to examine, *inter alia*, 'the aims and constitution of the Institute, and the extent to which they are in line with present-day conditions in the British Commonwealth'. Lord Tweedsmuir's

Committee, reporting in 1952, made far-reaching recommendations for the re-organisation of the Institute and the expansion of its work as a centre for education and for spreading information about the Commonwealth and its affairs.

#### Future Development

In 1953 an Order-in-Council was made reconstituting the Board of Governors as an independent body under the aegis of the Minister of Education. Under its Chairman, the Rt Hon. the Viscount Hudson, P.C., C.H., the new Board, in May 1954, submitted proposals to the Minister for the future development of the Institute, and embarked on an energetic programme for expanding its educational work on the general lines recommended by Lord Tweedsmuir's Committee.

In February, 1956, a Scottish Committee of the Imperial Institute was established in Edinburgh under the Chairmanship of Sir Robert Russell, C.S.I., C.I.E. It is charged with the duty of extending the lecture scheme and other educational activities of the Institute throughout Scotland.

Early in 1956 the Government announced that the proposed expansion of the Imperial College of Science and Technology would necessitate the demolition of the Imperial Institute building, and that new premises for the Institute would be provided elsewhere. The Minister of Education also stated that every effort would be made 'to minimise the inevitable disturbance and to ensure as much continuity as possible for its activities'.



## The Institute Today

QUEEN VICTORIA, when she opened the Institute sixty-four years ago, said that its purpose should be to knit the countries of the Empire more closely together. This, in modern terms, is still its purpose. Its aim is to provide educational services which will help to promote Commonwealth understanding, and to encourage and supplement Commonwealth studies in schools and colleges.

### Education in Commonwealth

ECONOMIC DIGEST believes, with the Commonwealth Institute, that it is of great importance that the younger generation, not only in the United Kingdom but in all the other Commonwealth countries as well, should be taught to understand the history and the present structure of the Commonwealth, the shared principles and ideals on which its strength is founded and its great potentialities. In particular the youth of this country must be taught to appreciate the Colonial responsibilities they have inherited.

In most schools the Commonwealth only enters into the syllabus incidentally, as it happens to arise in the teaching of general history, regional and continental geography, and current affairs. Very few pupils indeed are encouraged to take Commonwealth History as a subject in the General Certificate Examinations, and fewer still are taught to understand the nature of the Commonwealth and its importance in world affairs, or to be proud of all that we in this country have done and are still doing in the making of it.

A major reform in the educational

system is indicated; meanwhile the Institute does all it can to promote Commonwealth studies in the schools as an integral part of the curriculum. The attitude of teachers towards the Commonwealth is a great deal more sympathetic than it was before the last war; otherwise the Institute would not have been able to double the scale of its work in the past four years.

### The 'Courts'

The work of the Institute can be divided into two fields: that done in the Institute itself and that done in the provinces and in Scotland and, though as yet to a very small extent, overseas. There are, at the Institute, about a third of a mile of exhibition galleries or 'Courts' in which every nation, territory and island in the Commonwealth has its own permanent exhibition. The most urgent task is the modernisation of these forty-seven separate Courts. It is a long and very expensive process, which is as yet only half complete, so that the galleries today remind one of those advertisements showing the patient 'before' and 'after' treatment. In the autumn the construction of a new permanent exhibition on Gibraltar, Malta and Cyprus was started. It is being designed and built with the help of grants from the three Governments.

The reconstruction of all these exhibitions is particularly important for two reasons. The first is that education in the schools has now become much more dependent on visual techniques, and children, who are mostly television addicts, see things with very sophisticated eyes;

and the second is that, in teaching the Commonwealth, we are very largely concerned with human geography, which lends itself admirably to a wider variety of visual teaching methods than any other subject.

Each Court is designed as a medium for teaching, in which the complete 'story', in the exhibition sense, of the country concerned is presented as a coherent visual lesson. Each 'story' has the same continuity—geography, history, government, scenery, peoples, products and social services—but every exhibit is different and, throughout, this being human geography, the emphasis is on people. The most up-to-date techniques of museum display are employed, but this is not a museum. The Institute is concerned relatively little with the past, but with a whole series of living societies, all different and all rapidly changing. The Commonwealth, as the Colonial Secretary, Mr Alan Lennox-Boyd has said, is growing up. In 1956, 492,000 people came to the Institute. Of these, over 43,000 were schoolchildren who came in parties with their teachers and were taught in classes either by those teachers or by the resident teaching staff of the Institute.

The Institute's teachers do not, of course, merely lecture to the children. That method is out of date. The techniques used vary according to the age of the class and work which they want to do, for most of the lessons are geared directly into the work which the children are doing at school. The children always take an active part in the lesson and whenever possible some form of project work is done, usually by means of 'quizzes' or question papers to which the answers are to be found in the gallery exhibits. These 'quizzes' range from economic and social questions for

sixth-formers to such questions as 'Where does rice grow?' for the seven-year-olds. The actual handling of coconuts, cocoa-beans and other products by the children is also thought to be a most important part of these teaching methods.

### Cinema

Four hundred and fifty thousand other members of the public have used the Institute as well, and they seem to find the visual teaching aids displayed to them not too far below their intellectual standards. People of all ages patronise the cinema, where the programmes consist entirely of short documentary films about the Commonwealth; in the winter evenings there is a series of public lectures.

The Institute is also the main centre for the distribution of teaching aids about the whole Commonwealth. These vary from study-kits, through film strips, maps and wall-charts, to the whole range of booklets and leaflets covering every aspect of Commonwealth affairs, except textbooks. Some of these aids the Institute makes and publishes itself, but it also acts as a clearing house for all such material published by official and other reputable sources in the Commonwealth. Last year over fifty thousand items were sold (without profit), in this country and overseas.

### Exhibitions

Apart from these strictly educational services, there is a continuous series of temporary exhibitions. There are seldom less than two such exhibitions showing at once, and sometimes three. They are of two kinds, being either art exhibitions or those designed to convey information. The aim is to make the Institute the natural 'home' of Common-

wealth art in London. Artists and art societies from all parts of the Commonwealth are encouraged to send exhibitions, and there are few Commonwealth countries which have not been represented in the exhibitions of the past three years.

In December, 1957, the Institute held a successful exhibition of Canadian Eskimo carvings.

#### Commonwealth Students

The rest of the work of the Institute itself is concerned more directly with Commonwealth relations. The Commonwealth Students' Club has about three hundred members drawn from nearly every part of the Commonwealth, including the United Kingdom. The Club is run by an elected committee. The annual subscription is 5s. In addition, the Institute and its cinema are used by all kinds of Commonwealth organisations for social and cultural purposes. Guests range from the New Zealand Women's Association to Indian and Pakistani cultural societies and a West Indian choir. This kind of social work may be considered to be outside the immediate purposes for which the Institute is state-subsidised, but it is very much part of its more general aim of making the Institute the cultural and social heart of the Commonwealth.

Work 'in the field' is on a bigger scale than that at the Institute itself, and is perhaps even more important. It consists, apart from the distribution of teaching aids, of a variety of activities nearly all designed to promote the study of the Commonwealth in the schools. The work in England, Wales and Northern Ireland and the promotion of such studies in the countries of the Commonwealth overseas (a vast field only just entered upon) are adminis-

tered from the Institute in London. Scotland administers itself. One of the first things Lord Hudson did was to establish an autonomous Scottish Committee under the Chairmanship of Sir Robert Russell. This Committee is financed largely by the Scottish Education Department and has its own premises and staff in Edinburgh.

#### Lectures and Conferences

Numerically, by far the most important extra-mural activity of the Institute is its long-established Lecture Scheme. Last year, lecturers from the Institute gave a total of nearly 6,781 lectures in state-controlled and grant-aided schools all over England, Wales and the Channel Isles to a total of about 650,000 children. In April 1957, H.R.H. The Duke of Edinburgh gave, at the Institute's invitation, an illustrated talk in the Royal Festival Hall on his Commonwealth tour to some two thousand children from secondary schools of London and the Home Counties.

In addition, 350 talks were given to adult groups, though this side of the work is not being so actively developed as to prejudice that in the schools.

Of greater qualitative importance, perhaps, is the work with sixth-form pupils of grammar schools and students in teacher training colleges. Most of this work consists of one-day conferences for anything up to three hundred students gathered at central points, usually under the auspices of the Local Education Authorities. At these conferences the whole day is given up to lectures, films and discussion on specific countries or regions of the Commonwealth, or to consideration of certain aspects of Commonwealth affairs, such as British Colonial policy, race

relations, or the Colombo Plan. The purpose of these conferences is always to give information on which opinions may be soundly based rather than merely to rouse controversy, and the teaching is always intended to be objective and realistic.

In 1957, thirty-six one-day conferences were held, including seven in Scotland, compared with twenty-seven in the previous year. A full week's course for the Sixth Forms of Rugby School was held at the end of the Summer term.

#### On the Road

Last, but perhaps not least, are the travelling exhibitions, which have

been developed as part of the policy of spreading the work of the Institute out of London into 'the field'. Each year the Institute makes one photographic exhibition and circulates it through the agency of the Central Office of Information. It is estimated that during 1957 they were seen by about a quarter of a million people in England, Scotland and Wales. The latest is on Uganda. In some places a lecturer and films are supplied with the exhibition. Each showing of these exhibitions can, and should, be turned into an educational project in the city or town concerned, and sometimes they are.



Mrs Mary Burke, Deputy Director, addressing the Annual Conference of Lecturers on the Commonwealth Institute's Panel

## The Future of the Commonwealth Institute

BY KENNETH BRADLEY, C.M.G.  
*Director, Commonwealth Institute*

THE Commonwealth Institute Bill, which changed our title and also provided for the building of our new Institute in Holland Park, received the Royal Assent on March 13th. During a very friendly debate in the House of Lords on the Second Reading, Lord Ogmore said that this Bill marked 'the end of one story and the beginning of another'. Land for the new Institute has been acquired, architects appointed and a start made with the second story.

The site is the three and a quarter acres of woodland which lies at the southern end of Holland Park, between the cricket field and Kensington High Street. To those whose beat is the West End or Westminster it may seem rather remote, but the West End is steadily moving westwards and in a few years' time Kensington will be central enough. The site has the immense advantage of space. It will be possible for the architects to design and build with freedom, and we shall also have room for a car park of our own, which is of great importance to us because so many of the visiting schools like to come by coach. For those who do not, plenty of buses will pass the door and the Underground will only be five minutes' walk away. In fact, we expect to be much less inaccessible than we are now, tucked round the corner from Exhibition Road and just off the beaten track of museum-goers.

The land and the building are being paid for by the Government, in return for the surrender of our existing lease and in recognition of the fact that the present building was paid for by donations and subscriptions from all over the Empire.

### Function Controls Design

It is not yet possible to say what the new Institute will look like because the architects have not yet begun to draw any pictures of it.

At one time we considered whether we should not throw the designs open to competition among architects throughout the Commonwealth, but we decided against this because a competition would take too long and be too expensive. We have to move in by the end of 1961 if we are not to delay the completion of the new wings of the Imperial College of Science and Technology, and the budget is tight. Also, we wanted to begin by agreeing with the architect on every single functional requirement, down to the position of the last coat-hanger, before he began to draw, rather than to start with a drawing and to spend six months weaning him away from a preconceived idea. Function should control design and not be ruled by it. So we considered several leading firms, chose Robert Matthew and Johnson-Marshall for the job, and are now working with them towards that ultimate coat-hanger. The designs,

when they are drawn, later in the year, will have to run the gauntlet not only of the Government, the Fine Arts Commission and others, but also of public opinion. It is inevitable that, whatever they are like, they will rouse controversy, for this is the first public building of its kind to be put up in London for many years. Also, it will be set among trees and some of them will have to be cut down to make room for it.

### Exciting Prospect

The prospect is exciting and the challenge formidable, but I am not thinking merely in terms of controversy. The excitement and the challenge lie, both for the architects and ourselves, even more in the opportunity we have been given to contribute to the Commonwealth and to London, which is still the

heart of it, a building worthy to be the only one anywhere in the world to represent the Commonwealth of today and tomorrow. The Institute always has been and, I hope, always will be a joint Commonwealth undertaking, dedicated to promoting the unity of the Commonwealth and to preserving the shared heritage of its principles and ideals. The challenge, therefore, will not be met merely by the completion of this building. It will continue and grow, in the work which we and our successors will be doing in it, for, as the power, wealth and culture of the Commonwealth peoples grow to fruition, so must the Commonwealth itself, if it is to fulfil its potential in world affairs, grow in unity of spirit and understanding. To such a cause the Institute should and will have an important contribution to make in the years which now open before us.

### Spotlight (continued from page 130)

work; she has taught in London and Singapore, and for a time she edited *Commonwealth Survey* and lectured for the C.O.I., and also at the London School of Economics. In New York during the war she organised the Colonial Information side of the British Information Services.

Both Kenneth Bradley and Mrs Burke are enthusiasts for the full use being made of visual aids; and latest methods are used wherever possible. The Permanent Exhibition section of the Institute is a clear proof of this, for it provides a really first-class permanent shop window for the Commonwealth and Empire territories which is certainly an invaluable

publicity medium for the countries concerned.

All these, and many other activities, such as the Commonwealth Students Club, the cinema, and so on, are aimed at one basic idea, helping the Commonwealth to know itself. The importance of this work in present circumstances cannot be overrated.

Mention should also be made of the work of the Scottish Committee of the Institute in Edinburgh which was established in 1956. Although this is an autonomous body, it maintains close liaison with the Institute in London. The Organising Secretary of the Scottish Committee is Mr I. A. Beveridge, a former member of the Overseas Service.

## Comments by Two Commonwealth High Commissioners in London

### 'CRASS IGNORANCE'

IN THE debate on the Commonwealth Institute Bill a number of M.P.s commented on the need to improve popular knowledge of the Commonwealth.

### Australia

A few days previously the Australian High Commissioner had complained bitterly about the lack of publicity given to the Commonwealth in Britain. Speaking at a lunch at the Institute of Public Relations, he is reported as saying that the Commonwealth countries are 'completely fed up with the lack of publicity they receive in this country', and he went on:

'The only things that seem to appear are reports of bush fires, floods, cricket, and cricket again, and maybe the Wallabies sometimes when they play a little too tough. . . . Sometimes I am completely amazed at the crass ignorance shown by big business executives as to what Australia is doing. Please do not take Commonwealth ties for granted. The time

*From Commonwealth and Colonial Affairs, March 1958*

### India

ALTHOUGH the reality of Commonwealth co-operation in various fields is understood by a limited number of people in government, business administration, and the Press, large masses of people in both our countries are not conscious of the possibilities of expansion in Commonwealth relationships. It is

*Mrs Pandit, India's High Commissioner in U.K., speaking at the Royal Central Asian Society*

may come when divergence of opinion may well break the Commonwealth asunder unless hard thought has been put into it.'

While Members of the House of Lords felt that the High Commissioner's remarks were somewhat exaggerated, there was general agreement that they contained a substantial measure of truth.

The Earl of Dundee, Chairman of the Institute's Trustees, pleaded for more attention being given in schools in this country to teaching Commonwealth history and geography. A Motion on these lines had previously been tabled in the House of Commons by Mr W. Teeling (Conservative M.P. for Pavilion) and accords with statements of Conservative policy that the story of the Commonwealth should figure more prominently in the teaching in our schools. The difficulty is that it is local authorities who settle the schools' syllabus, and not the Minister of Education. Thus, reforms can only come about by persuading the County Authorities of the need for them.

## 1867 And All That

### THE PROBLEM OF POWER

BY ODYSSEUS

ONE of the greatest of contemporary thinkers was the German economist, the late Walter Eucken, who died in 1950, whose economic philosophy of *Soziale Marktwirtschaft* (translatable as 'Free Enterprise alive to its social responsibilities' or 'Responsible Free Enterprise' for short) was applied by Adenauer and Erhard, the makers of post-1948 Germany. Commenting on the widespread belief that the masses today prefer security to freedom, Walter Eucken pointed out that although under Socialism one insecurity—unemployment—may have been tackled, the resulting concentration of power in the hands of government departments, central planning offices, or huge public corporations controlling nationalised industries like coal mining, or nationalised activities like broadcasting, creates new and wider insecurities.

Eucken cited the example of a pre-war German metal worker ordered by a central planning office to report at another town the next morning to work in a rolling mill. If he failed to report in time he was penalised, possibly even to forfeiting his ration card. Here in place of one insecurity—possible unemployment, mitigated by unemployment pay and the efforts of the national employment bureaux—he is deprived of freedom of movement, of freedom of contract, and of freedom to buy what he wants with the money that he earns, and thus faces a whole series of new insecurities. Or, in Eucken's words, the problem of power cannot be solved by further concentrations of power.

### Stable Money and Competition

The problem of power is solved when the State ensures (1) a stable currency, and (2) genuine competition between individuals, firms, and industries. But, says the Socialist, competition is doomed by modern technology. Small firms are uneconomic. Mass production requires huge combines.

Modern communications have broken down the monopolistic markets of isolated eighteenth-century towns, so that with today's international division of labour, small towns in the Punjab or Mysore, that the outer world has never heard of, receive goods from all over the world. Cycles, buses, and railways ensure that employers no longer enjoy a buyer's monopoly of labour.

Marx did not foresee that modern technology would create flexibility in production. Factories can today switch from one line to another to seize opportunities in changing markets. That the existence (a) of mass producers and (b) of so-called 'cut-throat' competition does not eliminate the small man is demonstrated in the U.S.A., where some 4,000,000 small firms employing less than 100 persons each, do not merely survive but flourish, constituting ninety-six per cent of all U.S. firms. The same is true of the U.K. save that the nationalised industries have cut down the numbers of the small firms.

### Efficiency—Higher Productivity

The conclusions drawn from examination of the facts by contem-

*From The Eastern Economist, March 14, 1958*

porary economists (as opposed to the ninety-year-old speculations of Marx) are that modern technology proliferates ever wider and keener competition, which makes for efficiency, higher productivity, higher wages, and rising standards of living. Cartelisation, nationalisation, and public ownership are defence mechanisms against competition.

'But we cannot afford competition', cry the elder Socialist statesmen of the world in swelling diapason. 'It is wasteful and it leaves the development of the economy to chance. We need planners to create order out of chaos.' These ideas originate in the yellowing pages of Marx's 'Das Kapital'. Contemporary economists point out that in fact, the wider and keener the competition enforced in any economy, the more stable it is. They do not say that competition ensures absolute stability. This is unattainable in the real world and is undesirable, for it would imply a static economy. Growth always involves instability, as when diesel engines drive out coal-powered engines. But free competition minimises and shortens the repercussions of progress.

The more cartels, monopolies, restrictive practices, nationalised industries, and central planning, the greater the interference in the controlling power of consumers' demand, the greater the liability to continual changes in government policies on currency, trade, wages, investment, and other factors affecting relations within the economy. In 'mixed economies', constant liability to changes in government policy increases the uncertainty in the planning of individual firms which have to reckon with the risk that the basis of their calculations may be changed overnight. This profoundly affects the volume of investment. If you don't

believe me, ask anyone on the Calcutta stock exchange.

'Aha!' says our elderly Socialist. 'You admit that individual firms plan! Are they then above making mistakes? If they misjudge consumers' demand, they will throw men out of work. State planners, on the other hand, having access to the entire economic intelligence available to the state, can plan on the basis of the best possible data on a large scale.'

To which I reply that the smaller in size that a problem is (a) the more likely are you to approach accuracy in solution and (b) the less the repercussions when you diverge from accuracy. America's 4,000,000 small firms are closer to their actual problems than any planning office dealing in hundreds of thousands of types of products, millions of men, and billions of units, and any divergences from a correct assessment of consumers' demand made by myriads of small businesses cancel each other out. The action of consumers' demand is felt daily and causes immediate modifications of plans, or the elimination of firms unable to make them.

The central planner, on the other hand, is faced with tasks so vast, figures so astronomical, that his margin of error may in certain circumstances be catastrophic to the state. He is apt to ease his problems by making no attempt to meet consumers' demand—compare the consumers' goods available in a retail shop in Moscow and in New York—but by allocating what he calls priorities, which means that he decides what he thinks consumers ought to consume, how much of it they may have, and how much shall be extracted from them in forced savings—by heavy taxation or low wages or, more often, by inflation.

## Rural Economy

### (1) PROGRESS OR DECLINE

BY SIR JAMES TURNER

*President, National Farmers' Union of England and Wales*

FARMING has reached a turning-point. There are two alternative roads that can be chosen for the industry. On the one hand—continued progress. On the other—a dangerous decline.

This is the fiftieth year of the National Farmers' Union. In a Jubilee speech, it is right that I should turn back a page or two. And it is proper—since we have reached the turning-point in farming's post-war history—that I should sketch in—simply and in black-and-white—the background against which the next agricultural decisions will shortly be taken.

For twenty-five of our fifty years, farming was on its uppers. Men were leaving the land. Buildings were falling into the ground. And plough-points were rusty.

That was the state of agriculture in a nation that thought it did not need agriculture. The country relied on its technical know-how, on its industrial advantage and—above all—on its system of overseas investments. In these days—and they now seem very far away—we used our investment income from overseas to supply the manufacturing industries with their raw materials, and to pay for the food we bought freely on the markets of the world.

#### One Example

I think one example is enough to show how times have changed since

then. A year ago the net annual income of the United Kingdom from overseas investments was ninety-one millions. In 1938 it was 175 millions—and that, bearing in mind the change in import prices, would be enough to buy £700 millions worth of imports at 1956 prices.

As I shall show you in a moment, more than half of that decline in the nation's position—£400 million a year in fact—has been recouped on the nation's behalf—by the agricultural industry. But in the well-to-do days before the war, people thought the country need not bother its head about agriculture. And that attitude was reflected in the governmental policies of the day.

In 1939 the nation discovered overnight that agriculture mattered—indeed that it mattered so much as to be a matter of life and death.

#### Farming Went to War

It was fortunate—to put it mildly—that the spirit of British farming was still alive. The weapon was pitted and rusty—but the powder was still dry. Farming went to war alongside the armed forces; and, like the armed forces, built itself up from weakness to victorious strength in a very few short years.

That story has been well told in other places. How the wilderness was cleared again. How crops grew in places where they had not grown in living memory. Let me give only two

*From I.F.A.P. News, February 1958*

or three plain figures. During the war we increased our barley production by 133 per cent—sugar-beet by 77 per cent—potatoes by 91 per cent. And milk—vital in wartime—rose by 14 per cent despite a desperate shortage of feed.

That was agriculture and the nation fighting side by side. It was a time when all was to win or lose—and we won because it was a partnership that acknowledged the part that farming had to play.

Then the lights came on again in London and the sea-routes of the world were safe again. The nation thought it could relax from the struggle. There were those who believed there was nothing for Britain to do but take up her former place of privilege—trading comfortably, making things in her own time, buying her food and raw materials wherever she might choose.

Is it possible that—twelve years later—anyone still believes that?

#### Balance-of-Payments Battle

The realities of the post-war world soon drove the dream away. We had come out of one battle for existence only to fight another—a different one, but an equally tough one.

This time it was currency—a

balance-of-payments battle—in which every dollar, every unit of currency saved, gave Britain a better chance of coming through.

Once again the farmers were asked to fight. And how did we do?

Greater productivity was what was wanted of us. In ten post-war years our yield of sugar-beet to the acre went up by nearly a quarter—and we were harvesting more than 36 per cent more barley to the acre. On average every hen gave fifty more eggs a year, and milk-yield went up by 135 gallons a cow. In this period the total net agricultural output went up by a third.

This more efficient farm production has been a great weapon in the balance-of-payments battle. Without it the country would have had to spend at least another four hundred millions a year to obtain that amount of food from abroad.

Successive Chancellors have told us we need a positive trade balance of over three hundred millions a year. In fact, the nation has achieved an average of only plus 32 millions over the last ten years. If it had not been for the increased output of British agriculture, Britain would have shown a very big deficit every year. What a mess we should have been in without the farmers! . . .

#### (2) AMERICA'S FARM PROBLEM

THE average American farmer is unable to hold his own in the great struggle for the dollar. He is being pushed off by corporation-type farms run like Ford assembly plants, by giant food processors, and by the food chains. Yet, if the small farmer cannot be encouraged to stay on the land and produce, agriculture, too, will be swallowed up by the

#### A New Bill

Congressional leaders know they can never go back all the way to the rigid price-support programme. Nor can they let Benson continue to carve

*From an article by Tris Coffin in the New Leader for March 17th 1958*

away at farm subsidies. A combination of many ideas, old and new, must be thrown together. Senator Proxmire has filed a bold 103-page bill which would, among other things, do the following:

1. Change the parity formula and provide payments of 80 to 100 per cent.
2. Limit the amount individual farmers could receive for restricting production.

3. Apply a tax on processors.
4. Create a tariff formula for duties on such imported foods as dairy products.

5. Set up a food, fibre and fat stockpile programme as a reserve against natural disasters, insect pests, disease and war, just as certain metals and equipment are stockpiled now under Government subsidy.

6. Liberalise loans to farmers and co-ops.

7. Create a food-stamp programme so that low-income families could obtain enough food to maintain a dietary standard.

8. Enlarge the school-lunch programme to provide each child with a pint of milk a day.

9. Set up an International Food and Fibre Reserve Bank to prevent famines, help absorb temporary

world market surpluses, and finance economic and social development programmes.

#### Little Chance of Action

Proxmire's plan would be controlled in large part by farmers through a national board and local committee. His bill parallels in many ways the thinking of former Secretary of Agriculture Charles P. Brannan, who would set up a multi-price system. Farm commodities would seek their normal competitive levels in the market place, and the farmer would receive the difference between the price he receives and parity. In addition, the Agriculture Department would sell surplus food to low-income and aged persons at prices they can afford.

Senator Proxmire's omnibus bill is lying in the Senate Agriculture Committee with little chance of action. At this time, given all the other economic woes with which it must contend, it seems doubtful that this Congress will attempt any basic reforms in the farm programme. Instead, mindful of the election ahead, it is likely to pass high and rigid price supports for commodities (such as dairy products) whose growers are facing acute crisis.

#### (3) OIL ON THE LAND

A COMPARISON of agricultural methods in Britain with those prevalent in less developed countries emphasises the extent to which oil power has transformed this ancient industry. British agriculture is indeed more highly mechanised than that of any other country in the world, and whereas before the war there were as many as thirteen working horses to

The result of widespread conver-

*From P.I.B. News Letter, January 1958*

sion to mechanised methods has been to raise the level of food production despite an appreciable drop in available manpower employed on the land. Additional machinery has meant considerable saving of time for the farmers, the ability to take the maximum advantage of good weather, and has also resulted in more acreage becoming available for growing crops for human food, since it requires around 2 acres of land to grow fodder for a single horse and in the last twenty years about 600,000 farm horses have given place to tractors.

#### Many Uses

Besides providing the fuel for all kinds of machines, oil is also widely employed for such purposes as heating and drying crops and the

production of electricity in country areas not served by the grid system. Some indication of its overall importance to British agriculture is indicated by the fact that this industry accounts for more than five per cent of total U.K. consumption of petroleum products.

Petroleum also enhances food production by providing raw material for insecticides and pesticides—e.g. as a 'carrier' of toxic substances or as a basis of ointments used in treating skin irritations among animals. In this way it has contributed towards the remarkable increases in crop yields that are being achieved as compared with a few years back—for example the average amount of wheat obtained has risen from twenty cwt. to twenty-four cwt. per acre and the yield of sugar beet has been almost doubled.

# OIL

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# The Place of the Intellectual in the Community

BY PROFESSOR CARLO SCHMID  
Vice-President of the German Bundestag

It is one of the incontrovertible facts of our existence that we happen to live in a time of industrial revolution. The first stage is about to come to an end, while the second stage of atomic energy and automation has already begun. Life à la Weimar has therefore become impossible. It is impossible to live like the heroes of Jean Paul\* in times like these. It is necessary to live according to the laws of the time.

An escape into the idyll is no solution even when it ends in a villa in Tessin. The danger remains that man can be reduced to an object in society, that our life can be de-humanised, and that the human element can be completely lost sight of until it lives only in our romantic memory. I mean by this human element nothing else than our ability to make responsible choices about our own lives.

Freedom from want is not only a subject for charitable thinking, but the necessary condition without which man cannot unfold what is human in him, and without which he will be forced to live the life of an insect. When I was in India last year, I became ill when I saw how 440 mil-

\*Jean Paul Friedrich Richter, German Romantic Poet-Author and Satirist, 1763-1825.

lion people had to live like lice, like insects. Neither democracy nor anything else can help there. Is that not something terrible, what I just said?

#### A Great Task

I think it should be the task of the intellectuals, their *mobile officium*, to stand on the side of those whom history has treated badly. Nor, should anyone think in terms of giving aims. One ought to realise that these people have to be helped for the sake of our own self-respect, for the sake of our own honour. A mere adherence to the concept of freedom of thought—a freedom which should not be confused with libertinage, but one which has the courage to take risks—is not enough. Some people like to talk about tolerance in cases like this. But any tolerance which implies, 'I'll tolerate you and your belief because it is so unimportant that I need not bother to take it away from you', is a shabby tolerance. True tolerance says, 'You are different from me, and I want you to be different'. Now to explain this to mankind, I consider to be one of the great and essential tasks of the intellectual.

#### BUTTER AND CARS

THREE tons of New Zealand butter were required to buy the same British car which could be bought for 30 cwt in 1956, because of price falls caused by dumping.—A spokesman of New Zealand Federated Farmers' Dairy Section.

## Digest Reviews

### G-MEN

*The F.B.I. Story*, by Don Whitehead.  
Foreword by J. Edgar Hoover.  
(Frederick Muller; 30s.)

Numbering more than 14,000 men and women, the Federal Bureau of Investigation exercises great power, which if abused could be dangerous and terrifying. It also has the limitations of a Federal agency—it is subordinate to the United States Department of Justice—operating in a country where the generality of law enforcement duties is jealously guarded by the States.

The F.B.I. are policemen and Mr Whitehead's racy story (he is a Pulitzer Prize winner) introduces gangsters of the notoriety of Dillinger and Al Capone and the kid-

napping of the Lindbergh baby, but their police function reaches into the domain of foreign policy and world war. German and Japanese spies and saboteurs, Fascists and Communists appear on a cosmopolitan stage in a fascinating drama.

### A REGIONAL BOOK

*Merthyr, Rhondda and 'The Valleys'*, by A. Trystan Edwards. (Robert Hale; 18s.)

In this new book published by Robert Hale in their series of Regional Books, Trystan Edwards has provided a most readable and lively description of the past history and present condition of that part of Wales in which he himself resides. Particularly interesting is his account

### SOVIET FINANCE

*The Development of the Soviet Budgetary System* by R. W. Davies. (Cambridge University Press; 45s.)

In this study of the Soviet budgetary system Dr Davies investigates the pattern of Soviet planning by tracing its historical development. The book begins with an examination of the period from 1917-1920 and the approach of the Bolsheviks to financial questions. The author shows that many of the leading figures among the early Bolsheviks were supporters of the idea of a moneyless economy and he quotes Bukharin as saying in 1918: 'Society is turning into a huge labour *artel* which produces and distributes what is produced, without gold, metal or paper money'. The difficulty of finding a substitute to do the work of money, however, proved too great for them.

Dr Davies goes on to deal with the various phases of development up to 1941 and a final chapter is devoted to an examination of the pre-war budgetary system in the light of recent changes and the extent to which the old system is likely to continue into the future.

Summarising the present position Dr Davies says that 'it may be concluded from Soviet financial experience that the functions of the financial system are restricted and secondary in a directly planned economy, though money is, of course, still essential'. . . 'The financial system has the task of ensuring that the right amount of money is available in the right place to enable economic units to make investments, to pay wages, and to purchase materials in accordance with the plan; and it has to see that supply and demand on the retail market are balanced as far as possible.'

of the development of the iron, steel and coal industries in the region, and the colourful characters whose efforts made this achievement possible. As the author shows, these men, the 'Iron Kings', played a leading rôle in establishing the industrial revolution in Britain, with its vast repercussions all over the world.

Many readers of ECONOMIC DIGEST will know of Trystan Edwards as the originator of the scheme to build new towns in Britain, and also as the creator of a new map, the Trystan Edwards projection.

### GOD AND MAMMON

*Morals and Money*, by Anthony Hulme. (St Paul's Publications; 25s.)

The author of this interesting book is a Roman Catholic Priest, but was formerly employed in the Banking profession for several years, ending up with a period as a bullion broker. He writes, therefore, with a background of personal knowledge and experience which enables him, to quote the words of the Bishop of Northampton in the foreword 'to bridge the gap between the workaday world and the Church's exhortations to Christian living'.

Father Hulme comments in the Preface to the book: 'It is not an exaggeration to say that on the solution of this problem, the right of banks to create cheque actuating loans and to profit thereby, depends (in conjunction with other vast issues) the economic future of the industrial world in which we live'. He pays a generous tribute to the work of the Economic Reform Club and Institute in the past twenty years in furthering better understanding of monetary and economic problems.

### BRITAIN'S LEADING JOURNAL FOR ASIA AND AUSTRALASIA

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The U.S.S.R. has been converted from a backward agricultural country to a highly industrialised community in a relatively short space of time. A wider understanding of the way the budget and other financial mechanisms have worked is, therefore, of considerable importance. Dr Davies has supplied much useful information on this subject and his book deserves serious study and examination by all those interested in economic questions.

### COMMONWEALTH REVIEW

*A Review of Commonwealth Raw Materials: Volume I. Commonwealth Economic Committee. H.M.S.O.; 15s.*

The raw materials production, consumption and trade of the free world have all risen markedly in post-war years and the Commonwealth as a whole has maintained or improved its position, both as a source and as a market. How the Commonwealth has fared is the subject of the Commonwealth Economic Committee's latest Report which reviews generally the situation in Commonwealth countries for a wide range of mineral and organic raw materials and the main sources of energy. In addition, the Committee are making more detailed studies of the raw materials position in each Commonwealth country, to be issued in a second volume.

The present volume deals, in separate chapters, with production, consumption, trade and prices of raw materials, with Commonwealth sources of energy and with some diverse trends and developments in these fields. In addition, a Summary and Commentary gives the main features of this volume and presents a general picture of the raw materials

position in the Commonwealth. A short Conclusion suggests future work on raw materials by the Committee.

### SHORTER NOTICES

*The Wealth of Nigeria, by G. Brian Stapleton. (Oxford; 16s.)*

The author of this useful text-book examines the problems of the economic development of Nigeria. He reviews the resources available, both agricultural and industrial, and suggests methods by which this wealth might be increased. He goes on to indicate which of these lines of policy are most likely to achieve good results. There are thirteen statistical tables, ten maps and a bibliography.

### MAY 30th

### AUSTRALIAN

### HOPES AND FEARS

#### Colin Clark

A provocative, hard-hitting and authoritative survey of contemporary Australia's political and economic problems based on knowledge gained during many years of service in Queensland's Labour governments. 30s. net

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*Bibliography on Income and Wealth: edited by Phyllis Deane. (Bowes and Bowes; 37s. 6d.)*

This is the sixth volume in a series of bibliographies produced by the International Association for Research into Income and Wealth. It gives fully annotated references to material published in over fifty

countries during 1953-54. Its international scope makes it particularly valuable.

*The Falling Rate of Profit, by Joseph M. Gillman, Ph.D. (Dennis Dobson; 25s.)*

Examines Marx's Law and its significance to twentieth-century capitalism.

## Reader's Commentary

### Britain's Economic Plight

FROM OVERSEAS READER: BAHAMAS

Sir Robert Boothby's article 'I'd have made them dig for gold', and Mr Ernest Napier's commentary on 'Bank Rate as a Monetary Weapon', in the February issue of *Economic Digest* show up the confusion prevailing in the minds of people about the causes underlying Great Britain's present economic plight.

Sir Robert Boothby's article makes entertaining reading, but I can hardly believe that he does not realise the necessity of gold as an accepted standard of value and exchange medium. Even if, with the aid of the compulsory manual labour of such highly-placed individuals from the City of London as he mentions, more gold had been produced before the last war, it could still have found its way into the monetary reserve only by means of goods exported by the United Kingdom in payment to the producing countries.

Mr Napier appears to advocate a mopping-up operation with a distinct hint of compulsion. This would certainly go some way towards reducing the amount of money at present chasing an inadequate quantity of goods in the country, but might be difficult of acceptance so long as the newspapers are full of the American recession.

The real cause of the difficulty is that the people of Great Britain have lived since the war above their collective means. Not enough is produced in the country to sustain the Welfare State and the necessary level of armaments in these dangerous times. The action of the Trades Unions in pushing annual wage claims makes matters go from bad to worse, with the result that penal taxation stifles the incentive which could lead to the production of more goods.

Since successive governments deem it necessary to maintain the parity of the pound sterling for political as well as economic reasons, but are either unable or unwilling to deal with the inflationary situation thus caused, exchange and other unwieldy physical controls have to be maintained. The evil is thus to some extent masked for the time being, although foreign exchange crises appear to have become endemic and the pound was only rescued last September by the seven per cent bank rate.

Can the day of reckoning be put off for ever?

15th March, 1958

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## Digest Spotlight focuses on

### Lt.-Col. St. Clare Grondona

LIEUTENANT-COLONEL L. ST CLARE GRONDONA, whose latest book, *Utilizing World Abundance*,\* may well have far-reaching effects on our national economy over the long term, is Australian-born. After two years on a Queensland sheep and cattle station where he wrote *The Adventures of a Jackaroo*, he served with the Australians—and was seriously wounded—in the first Great War. In 1919 he was appointed to the charge of the Federal Department of Repatriation in New South Wales. He was on the staff of the Australian Delegation to the Imperial Economic Conference in 1923; and has since lived almost continuously in England. He was a Director of the Australian Section of the British Empire Exhibition at Wembley, 1924-25. He wrote *The Romantic Story of Australia* (with a preface by the Prime Minister of that Dominion—now Viscount Bruce of Melbourne), and *The Kangaroo Keeps on Talking*. He stood as a Conservative in the 1929 General Election but, as were all other candidates contesting Labour-held seats, was unsuccessful.

In 1930 he wrote his first *Empire Stocktaking*, which was commended in over twenty leading articles, of which the following, from the *Financial Times*, was typical: 'It is difficult to over-estimate the timeliness or importance of this book... the author has done much to put the problem definitely into the sphere of business.' A second *Empire Stocktaking* followed in 1932. He then wrote *Britons in Partnership* which, too, was acclaimed in the Press. *The Times* said: 'This is a drastic project for the reclamation of the vast estates of Empire... a door to realities which cannot be regarded without a glow of exhilaration.' The late J. L. Garvin wrote in *The Observer*: 'Instead of ignoring or combating economic forces as do so many projects of this kind, Mr Grondona's plan aims at clearing the way so that production may readily adapt itself to the natural play of markets and secure it against their vicissitudes... this is true statesmanlike thinking.' In 1934, in collaboration with Mr Henry Drummond-Wolff, he produced *Agricultural Reconstruction*, which led to his being appointed District Commissioner for the Special (Depressed) Areas in the North-West of England where he was responsible for the establishment of the Cumberland Development Council—leading up to the founding of one of the Trading Estates which have done so much to rehabilitate industry in the former depressed areas. He resigned this post in 1937 to become economic adviser to an international cement organisation (Inter cement S.A.) in Paris. He wrote *National Reserve for Safety and Stabilization* shortly before the second World War.

During the war Colonel Grondona was commandant of one of the principal interrogation centres for prisoners of war, when he had in his custody, first, Marshal Messe (who had commanded the Italian Army) and the whole of his staff; and, later Field-Marshal von Runstedt, von Thoma and Busch—as well as

\* Published by Allen and Unwin 22/- post free available from Economic Digest

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

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

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

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

#### PRINCE PHILIP ON 'MEANS AND ENDS'

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

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

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

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

*From Western Producer, March 1958*

## The Price of Gold

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

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

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

#### Advantages to Free World

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

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