

founded in July 1952 on the basis of a grant given by the Rockefeller Foundation.

#### SHORTER NOTICES

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

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

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

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

book, you should do so without delay!

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

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

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

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

#### FOR REFERENCE

*Items in this Section will be kept for one year. Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply, citing the appropriate number or numbers (given in brackets after each item).*

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

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

#### Nuclear Energy

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

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

#### Electricity Supply

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

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

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

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

## Digest Spotlight focuses on

### Rt. Hon. Reginald Maudling

*Paymaster-General*

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

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

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

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

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

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

*concluded on page 364*

make a colourful story told in thrilling fashion. This is history at its best.

#### HIDDEN FORCES

*The Thirteenth Power: The Middle East and the World Situation. By Major-General Richard Hilton, D.S.O., M.C., D.F.C. (Christopher Johnson; 18s.)*

General Hilton is a distinguished soldier-diplomat and his lively writings are based on a long career of action. He has travelled the Middle East, was in Turkey not long ago and speaks eleven languages. The tale told here is compressed but never dry. An anti-Zionist who thinks highly of the hapless General Glubb, General Hilton recognises Israel's grievances against Cairo and fully states the view, which Weizmann encouraged, that a Jewish State could provide a base for permanent British defence of the Suez. So it might have been! Yet the author's account of the Sykes-Picot affair should be compared with that of Mr Kedourie expressed in *England and the Middle East* (reviewed in an earlier *Digest*).

General Hilton's spirited defence of British traditions and 'colonialism' and his candid story of United States economic aggression against European interests should be taken to heart particularly by those who ignorantly assist the influences of subversion. He has controversial proposals for a gloomy opinion of deriving from a gloomy opinion of its present character and weakness. His attack on U.N.O.-worship and World Government is salutary; so is the appeal for a revival of British faith and values. Many patriotic readers will question the General's theory of the 'Thirteenth Power'; but they owe it to themselves to inquire

why United States policy has for so long played into Communist hands.

#### INDUSTRIAL ADMINISTRATION

*Business Enterprise, its Growth and Organisation, by R. S. Edwards and H. Townsend. (Macmillan; 60s.)*

This valuable study of the economic and political organisation of British industry is based on material supplied and impressions gained by the authors as a result of more than two hundred discussions held at the London School of Economics on problems which arise in industrial administration. The book deals with four main topics. Part 1 covers the ways in which firms are brought into being and built up; Part 2 with the factors determining size and specialisation; Part 3 with relations between government and industry; and Part 4 tackles the problem of finding resources, providing incentives and organising the framework for progress in industry. In the final section the authors conclude: 'It is hard to see much prospect of State-owned firms, whether efficient or inefficient, being allowed to operate with complete flexibility. Increasing rigidity would be a very grave risk.'

**PROBLEMS OF REDUNDANCY**  
*Redundancy: A Survey of Problems and Practices. (The Acton Society Trust; 5s.)*

This is an excellent pamphlet based on research carried out by Mr J. S. Hutchinson and Miss Nancy Wansborough, of the Acton Society research staff. The research was directed by Miss Rosemary Stewart, Director of the Acton Society Trust, and included investigation into the practice of two hundred firms.

The report begins with a simple and effective definition: 'Redundancy is the involuntary loss of a job through no fault of the worker concerned.'

From that point the report proceeds to a full examination of the nature of the problem, which contains many penetrating observations. The difficulty *par excellence* in the way of planning redundancy, according to the report, is its unpredictability. It is often impossible to know, not only if redundancy will occur but also, sometimes even from week to week, how many people will be affected. The importance of automation as a cause of redundancy may have been overestimated.

Full consideration is given to what has been done, and to current practices in relation to redundancy. Perhaps more provision has already been made for redundancy than most people imagine. It is particularly notable that adequate powers have apparently been given to the Ministry of Labour to provide for vocational training for workers who need it, including redundant workers, and that the Ministry considers that adequate facilities are in existence to handle an increased number of applicants.

A second report is planned which will be based on case studies of redundant workers.

D. R. S.

#### CO-OPERATION

*New Ways in Management Training. Sofer and Hutton. (Tavistock Publications Limited; 15s.)*

'Blue Chip' companies very often have their own management training schemes. The majority of the medium and small sized firms have only just begun to realise the potentialities of management training. Here we lag

sadly behind America—although the danger of turning every aspect of our industrial life into a science should be watched!

This study by the Tavistock Institute of Human Relations highlights the present frustrations and difficulties and stresses the possible gains from greater co-operation between individual firms and the technical colleges.

#### MONEY

*How Money Has Developed, by Arthur Groom. (Routledge and Kegan Paul; 10s. 6d.)*

As the publishers point out in the blurb describing this book, money is a subject usually left out of the school curriculum, and most children leave school without the slightest idea how it developed and where it comes from. This book will assist in giving a readable and entertaining account of the evolution of money from early times, but it discreetly refrains from giving any details about our modern monetary techniques. It will be useful, however, if it arouses interest in the subject among young people.

*Economic Theory and Policy in Finland, 1914-1926, by Erin E. Jucker-Fleetwood. (Basil Blackwell; 15s.)*

This is a study of the Finnish economic scene in the years from 1914 to 1925. The author, who is Alternate Director of the Basle Centre for Economic and Financial Research, pays particular attention to the quantity theory of money. The study was written at the Basle Centre, whose purpose is to carry out further research and education in economic and financial questions and to initiate scientific research on problems arising within this field. The Centre was

## Digest Reviews

### ENIGMA AT THE TREASURY?

*The Reluctant Politician: Derrick Heathcoat Amory. By W. Gore Allen. (Christopher Johnson; 18s.)*  
Mr W. Gore Allen has ably attempted the difficult task of writing a life of a statesman not only during his lifetime but when he is in office.

The Chancellor of the Exchequer is portrayed as an exponent of the New Conservatism and of the principles of the Tory Industrial Charter long exemplified by John Heathcoat and his descendants at Tiverton, as a realist and a patriot. His biographer has shrewdly detected the toughness beneath the diffident, almost donnish charm. As one who appears utterly different from the typical politician, Derrick Heathcoat Amory may turn out one of the most successful politicians of them all.

### COMMUNISM, COLONIALISM, NATIONALISM

*The Middle East in Transition: Studies in Contemporary History. Edited by Walter Z. Laqueur. (Routledge and Kegan Paul; 40s.)*

*The Idea of Colonialism. Edited by Robert Strausz-Hupé and Harry W. Hazard. (Atlantic Books, Stevens and Sons; 42s.)*

*From Blackmail to Treason: Political Crime and Corruption in France, 1920-1940. By Louis Ducloux. (André Deutsch; 18s.)*

We have not space to do justice to this admirable and profound symposium by thirty-five authorities, including Sir Hamilton Gibb, Bernard Lewis, Lt.-Col. G. Wheeler and Elie Kedourie. The Middle East scene changes faster than the printing of books; yet little in these varied

studies, written from different national and ideological points of view, has seriously dated. Fascinating studies of Soviet policy in the region and in Muslim Central Asia have properly been included. The essays themselves and the editorial introduction by Walter Z. Laqueur show the dangerous consequences of Western weakness, arising, in some measure at least, from misunderstanding of the history and psychology of the Arabs.

The Soviet record in Central Asia is also a feature of the Foreign Policy Research Institute's survey of colonialism. 'Colonialism' is what A. P. Herbert called a 'witch word'. It means what those who use it want it to mean. Huey Long spoke of starting a fascist party in America by calling it an anti-fascist party. The great colonialists of today style themselves anti-colonialist. The contributors to this volume expose much prejudice and humbug by applying commonsense and realism to a valuable assembly of facts. European readers may find Arthur P. Whitaker's chapter on anti-colonialism in Latin-America of novel interest.

The policeman's lot was not a happy one in the France of recent decades. Short of men and money, the *Sûreté Nationale* and its C.I.D., which Monsieur Louis Ducloux directed, was wildly and often obscenely traduced by men like Léon Daudet who sullied Royalism with virulent personalities.

Joseph Darnand, who commanded the Vichy militia, was from that stable and Monsieur Ducloux shows a connection between the anti-Republican nationalism of the inter-war years and Laval and the colla-

half-empty churches in the Mother Country they had revered in their dreams.

Whether or not miscegenation consequent upon considerable immigration from the West Indies is to be accepted is a question boldly broached by the Eugenics Society, whose main objective is an appreciation of the importance of genetic factors.

His tale of Daudet's escape from the Santé prison is as good a laugh today as in Paris at the time. The Stavisky and other scandals are well discussed and culminate dramatically in the story of the riots near the National Assembly in 1934.

Mr Ronald Matthew's translation is fully adequate.

### INTO THE JUNGLE

*The Door Marked Malaya, by Colin Crawford. (Hart-Davis; 18s.)*

Mr Crawford was commissioned in the Somerset Light Infantry and went to Malaya as a young National Service man. He went through the usual experiences of training for jungle fighting, spent his leaves in Singapore, took his patrol into the jungle searching for terrorists, and finally had a spell in hospital. All this he succeeds in bringing to life with amazing skill, for he is a writer with great gifts of description, and is a shrewd observer of both the military and civilian scene. The book gives a vivid picture of the life of a National Service man set in the strange and violent atmosphere of Malaya.

### THE CATTLE LANDS

*The Trampling Herd, by Paul I. Wellman. (Foulsham; 18s.)*

The author of *Death on the Prairie* and *Death in the Desert* now gives us the story of the development of the cattle lands in America from the introduction of the first few calves into New Spain in 1521 to the present day. The great cattle trails, the lawless frontier towns with characters like Wyatt Earp and Wild Bill Hickock brandishing their six-shooters, the arrival of the railroad and the gradual march of civilisation

### COLOUR AND RACE

*Black and White in Harmony: The Drama of West Indians in the Big City, from a London Minister's Notebook. By Clifford S. Hill. (Hodder and Stoughton; 4s. 6d.)*

*West Indian Immigration. By G. C. L. Bertram, M.A., Ph.D. Preface by Sir Charles Darwin, K.B.E., Sc.D., F.R.S. (The Eugenics Society; 1s. 6d.)*

The appearance of this little book coincided with outbreaks of violence between white-skinned and sallow in London and the Midlands and should be widely read in a country where many have thought they are not as those other men are in South Africa or Little Rock.

The Reverend Clifford S. Hill is a Congregational minister who has for years served coloured folk in London and he has in a few pages made it easier for his white fellow subjects to understand some of their virtues and difficulties. He tells of the shock West Indians suffer, among many troubles of adjustment, when they find Sundays reserved for pleasure and cold,

of its credit facilities, which were originally fixed in the context of intra-European payments. It has also become apparent that the E.P.U.'s operations are marred by certain artificialities which accord ill with the growing freedom of foreign exchange markets in which its settlements are made. For the purpose of the monthly settlements, E.P.U. currencies are valued at their official parities, and not at the prevailing market price or at the average of the rate at which they have been quoted during the preceding month. Moreover, the final settlement at the end of each month is made in dollars or gold, and is based on the American official price of gold. It follows therefore that a central bank, which knows that as a result of a coming monthly settlement it will have to hand over gold or dollars, will tend to buy gold in the market, if this can be obtained at an appreciably lower price than the \$35 per ounce parity; conversely, a central bank which will be receiving gold at the end of the month is likely to be a seller of that gold in the free market, if gold happens to command an appreciable premium over the official parity. No great damage is done by such operations, indeed they bring valuable support to the bullion market which is now so largely concentrated in London, but they are nevertheless artificialities in a free market, and as such must sooner or later be expected to disappear.

Their disappearance was envisaged some five years ago, at a time when a great deal of thought was being given to the early demise of the European Payments Union and to its replacement by a European Monetary Agreement. The principal stimulus to such thinking was provided by the likelihood of a move by some E.P.U. currencies towards dollar convert-

ibility. Such a move would have automatically called for the dismantling of the existing mechanism of the Union, which provided for the settling of ultimate balances by 25 per cent in credit (which is automatically extended or accepted by E.P.U.) and 75 per cent in gold or dollars. If there had been a move to make E.P.U. currencies formally convertible into dollars, the existing method of settlement through the E.P.U. would have been outmoded. It was therefore decided that, if member-countries holding at least 50 per cent of the total amount of E.P.U. quotas should make their currencies convertible, the E.P.U. should itself be wound up and its place taken by the more flexible European Monetary Agreement, and the text of that Agreement will doubtless be reconsidered whenever a concerted move to convertibility takes place.

#### **E.P.U. and E.M.A.**

The main difference between the existing E.P.U. and the proposed European Monetary Agreement is that in the latter case it is intended that the settlement of ultimate balances should be made fully in gold and dollars, and that credit facilities should not be made automatically available within quota limits as they are at present under the E.P.U. Such credit facilities would be under the control of a managing board which would make the funds at its disposal available, but not automatically so, to those countries in need of temporary assistance. It was provided furthermore that, under the aegis of the E.M.A., the participating countries might be allowed a somewhat wider tolerance of exchange fluctuations than at present. The main and fundamental resemblance between

the E.M.A. and the E.P.U. is that under both agreements the symbol of European unity and collaboration would be maintained, and that the E.M.A. would take over and continue the work of European co-operation which has been so effectively carried on by the E.P.U. over the past eight years, and which is now going round the track for the ninth time.

The latest renewal of E.P.U. has been made subject to the now normal proviso that the Union may be wound up in the event of circumstances requiring it to be replaced by the European Monetary Agreement. With the world economy somewhat in decline and the volume of world trade contracting, it is reasonable to assume that a move of several European currencies towards a complete and formal convertibility with the dollar is unlikely to be achieved in the coming twelve months. It would be clearly unwise to deduce from the experience of a comparatively short period that the problem of the dollar shortage has vanished from the world, and that the way is therefore open to a general move to the multilateral convertibility of currencies.

#### **E.P.U. and E.E.C.**

The renewal of the European Payments Union has on this latest occasion been made subject to a more immediate reservation which is linked to the formation of a Common market in Europe, and to the negotiations that are still under way for a Free Trade Area convention. The future of the E.P.U. was inevitably called into question when the Common Market Treaty came into operation on 1st January last. It is not difficult to understand why this should be so. The Common Market

Treaty provides for a gradual dismantling of tariffs and quota restrictions on trade, the first step in this direction, namely a general 10 per cent cut in tariffs and a 20 per cent increase in quotas, is due to take place on 1st January next. If by that time no Free Trade Area convention is negotiated, an element of discrimination in commercial policy will inevitably begin to appear within the community of O.E.E.C. Members of the Common Market will apply as between themselves more favourable tariffs and quotas than they will apply to other countries of Western Europe. When it became evident that, owing in part to French hostility, the Free Trade Area convention was in grave danger and that an element of discrimination would in fact emerge by the end of this year, some of the would-be participants in the Free Trade Area pointed out that, if they were to be subjected to discrimination by the Common Market countries, they would find themselves unable to continue the policy of non-discrimination which they were applying to all members of O.E.E.C.

#### **E.E.C. and E.F.T.A.**

The renewal of E.P.U. was however finally agreed without any reservations save a Swiss notification that Switzerland might at the end of the year leave the Union unilaterally if, by then, a Free Trade Area convention had not been successfully negotiated. This is an advertisement to all concerned, and to Common Market countries in particular, that if the Common Market is not extended and liberalised in its operation by association with a Free Trade Area a new economic and perhaps political frontier will appear.

70 per cent of the world's gold reserves is the most significant fact in international trade is of course quite wrong: it is an anachronism. The U.S. has perhaps 20 per cent of total world trade. What is significant is first that convertibility, such as it is, depends on Russian participation in world trade, for there are not two trading worlds but one—and, secondly, continued U.S. absorption. Now, however, another menace looms. Central Bankers' rule has been running true to form. This time however they are a little more frightened as after America there is no country left to run to.

#### 'Wider Yet'

That centralisation in stages was the American interpretation of multilateralism is clear from the post-war events. Firstly, whenever multilateralism has worked, as in, e.g. the U.K., earning gold and dollars from the O.S.A., it has been called 'exploitation'. Secondly, the American drive for multilateral selling of U.S. goods combined with *bilateral* access to dollars. The whole apparatus of pressure—or pattern of U.S. trade—is devoted to this: the overall import situation controlled by the Tariff, the overall export situation underpinned by the I.M.F. The balance of surplus and its desired rate of increase is achieved in the agricultural sector by the 'reciprocal' (bilateral) trade agreement programme and PL480: in the manufacturing sector by the Export-Import Bank which makes loans equal to the rate of income.

\* Most Favoured Nation clause

crease of exports over imports; contingencies are taken care of by 'aid' with the gold reserve and excess capacity for final emergencies: while the rest of the world struggles along with the MFN\* and the 'immorality of non-discrimination'.

Thirdly, what is now proposed—the suggestion in which all these ideas culminate—the 'Supercentral Bank', or supercentralisation. That is to say *unilateral* access to dollars (at the whim of American world planners). The system to be applied is evident—an extension of the PL480 routine that funds 'may not be used to develop products competitive with American products'. This will be extended to include the vested interests of all participating countries. In fact a small group of men—mostly American—will decide who is to make or grow or extract what, where and when.

In this connection it should be noted that 70 per cent of world trade has always been *bilateral*—only the balance has been settled multilaterally. However under the American system the opposite would be true—70 per cent would become 'multilateral'. We should see a shift of world buying away from established sources of supply to the U.S. every time they lead in some new 'product development'. It would make civilised life impossible. Nations, their bread almost literally cast upon the water, would rush like schools of fish from one feeding ground to another.

(To be concluded)

#### BATTLE OF THE BOOKS *Continued from page 319*

persuade our old friends, is very much in the modern world. We can and must give service. By giving service we will already be some way towards persuading men in other countries that our service is to their advantage.

## Another Year of E.P.U.

THE decision of the Ministerial Council of the Organisation for European Economic Co-operation to extend the European Union for another year as from 1st July, 1958, deserves more than a passing mention, not only because of the important part which the Union is playing in the economy of Europe, but because of the somewhat exceptional circumstances in which this latest extension was negotiated and agreed.

This is the eighth annual renewal of the European Payments Union, an institution which must without doubt be regarded as the most useful of the many offshoots of the O.E.E.C. It was set up in order to overcome those payment difficulties in which European countries found themselves after the war, when the vast task of reconstruction, which was being undertaken under the auspices of the Marshall Plan and the O.E.E.C., was being gravely handicapped by the absence within Europe of any effective mechanism for multilateral payments; there was no way of setting off the surpluses which some countries earned in their bilateral trade against the deficits which they might incur in their trade with other countries. The European Payments Union, created on 1st July, 1950, was intended to further the liberalisation of European trade by providing a clearing house for the settlement of all visible and invisible transactions between Western European countries and also between their overseas territories.

#### E.P.U. Helps the World

The importance of the part played by the E.P.U., however, is a reflection not merely of what it has done for

intra-European trade but of the support it has given to the trade of the whole world. It has in fact grown far beyond its title, and has become much more than European. This has been due in the main to the fact that sterling, one of its component currencies, finances some 40 per cent or more of the world's trade, and consequently a substantial part of the payments brought into the E.P.U. relates to trade of which neither the United Kingdom nor the rest of the Sterling Area has had any cognisance. It follows therefore that the E.P.U. net is spread very much wider than the membership of the Union, a fact which adds to the usefulness of this compensating mechanism, but which must also raise certain doubts as to the adequacy of its resources to perform a function much more far-reaching than that envisaged by its creators.

This extension of the role of the E.P.U. has therefore been in large measure a reflection of the increasing use of sterling in international trade, and in particular of the increasing homogeneity of the various types of sterling held by non-residents. To a certain extent American account sterling and transferable sterling are one and the same, in as much as each is convertible into dollars in markets where rates diverge little from one another, and where this divergence of rates is subject to periodical intervention on the part of the Exchange Equalisation Account.

#### Inadequate?

In view of this encroachment of the E.P.U. beyond its intended European scope, some questions have naturally been asked concerning the adequacy

*From Barclays Bank Review, August 1958*

## EGGS IN SHELL (IN LONG HUNDREDS)

	1956	1957	1958
South Africa	...	...	...
Australia	...	...	...
Other Commonwealth Countries	3	3	3
Eire	355,843	84,167	2,038
Denmark	578,236	66,978	94,263
Poland	159,053	...	212,320
Netherlands	30,566	496	10,800
Other foreign countries...	368,169	1,810	4,778
Total	1,491,873	153,467	19,809
<b>Percentage change from previous year</b>			
Imports in the first six months of 1958 were 76.94 per cent lower than those in the corresponding period of 1956.		-89.71%	+124.16%

## EGGS NOT IN SHELL (IN CWTs.)

	1956	1957	1958
Frozen whole	125,160	165,735	117,603
Other whole and yolk	18,765	32,049	9,480
Total	143,925	197,784	127,083
<b>Percentage change from previous year</b>			
Imports in the first six months of 1958 were 11.70 per cent lower than those in the corresponding period of 1956.		+37.42%	-35.75%

## EGGS IN SHELL

	Disposals (million dozen)	Imports	Percentage imported
1956 1st quarter	244.3	6.7	2.7
2nd quarter	231.5	8.2	3.5
3rd quarter	208.6	12.6	6.0
4th quarter	221.1	10.8	4.9
Year	905.5	38.3	4.2
1957 1st quarter	263.2	0.8	0.3
2nd quarter	252.7	0.7	0.3
3rd quarter	221.8	3.8	1.7
4th quarter	228.8	6.4	2.8
Year	966.5	11.7	1.2
1958 1st quarter	266.7	0.9	0.3

From 'British Farmer' (National Farmers' Union of England and Wales), October 4, 1958

## World Rule by Central Bankers—Part II

From Britain's Abandonment of Gold to 'Supercentralisation'

By M.L.

A DECADE passes and the scene moves to Bretton Woods. American bankers, aided by the dreadful advent of Socialism in England, take up where Norman left off and propose a fantastically ambitious scheme of international centralisation—called 'co-operation'. By the offer of a gigantic 'pactum subjectionis'\* they enlist the support of the rest of the free world. Only the British led by Lord Keynes oppose and are crushed. Their leader dies and any member showing a tendency to independence resigns or is removed so that today England and the sterling area have no spokesman of world stature. General de Gaulle mentions in his memoirs how the central bankers 'hantait Washington' and became, of course, the first servants of the I.M.F.

## Multilateralism?

Keynes foresaw that neither sterling—due to the lack of reserves and dislocated productive power—nor the dollar, because it was a net absorber, would be adequate as international currencies. Hence his idea of 'Bancor'—the automatic creation of international currency and cancellation of debt to chronic absorbers. So the two conceptions of multilateralism—the British and American—were opposed.

Keynes wanted a genuine decentralised international order, concerned only with the 'quantum' to come out

of it, with the controlling bodies not weighted in any one particular power's or doctrine's favour. He told Bernstein that they should regard themselves primarily as international officials... to minimise not maximise their national representative character'. Contrast this with Sylvia Porter's article in the *New York Post* (1944), 'U.S. to Exploit World Bank'. The American concept of multilateralism today reveals its true face—namely, centralisation.

## Dollar Injections

Such opposite ideas were doomed to clash. In 1947 dollars retreated at the rate of \$10,000,000,000 p.a. and the first post-war liquidity crisis took place. The U.S. Government was forced to intervene to inject dollars through the Marshall Plan. In 1949, the U.S.A. failed to provide enough dollars for Overseas. Sterling Area development and the second crisis occurred. Rather than inject dollars the U.S. insisted on devaluation.

Since then, the Korean War, the unforeseen rapid and powerful recovery of the U.K. and the O.S.A., the accidental demand for foreign small cars in the U.S., and the very important factor of Russian gold sales (approx. \$750,000,000) have prevented another breakdown, though development has been hindered.

The idea that the U.S. holding of

• A feudal contract whereby a free man renounced his status for protection by his lord and helped build the castle in which his descendants would live for generations as serfs.



## Rural Economy

### (1) DECLINE IN WORLD FOOD PRODUCTION

In his address to the conference of the United Nations Economic and Social Council, Mr A. H. Boerma, Director of the Economics Division of the Food and Agriculture Organisation, noted that from 1948 to last year, the actual average growth of farm production had been somewhat more than two per cent in the more-developed regions of the world and one per cent in the less-developed regions.

'The past year, 1957-58, saw, I regret to say', said the F.A.O. economics chief, 'the first check in this steady expansion of world agricultural production since the war and the preliminary F.A.O. index of agricultural production fell back to 119, as against 120 in the previous year. The food production index remained stable at 119, but since world population kept growing, the per caput food production index fell proportionately.'

Total agricultural production continued to increase in the Near East, more slowly in Europe, Russia and Latin America, but in the Far East there was a slight decline from the record level of the previous year while production in Africa, Oceania and North America fell back appreciably. Weather was the main cause for the setback in 1957-58, but, he added, there were 'deeper underlying causes' which slowed down farm production.

#### Problem of Surpluses

'In the economically more advanced

*From World Farm News issued by the International Federation of Agricultural Producers, September 1958*

ced countries agricultural policies are increasingly dominated by the problems of surpluses', he said. 'Incomes and consumption levels are already fairly high, and further increases in income lead to relatively small increases in the demand for food and other agricultural products. Much of such increase that does occur is absorbed by more elaborate processing or distribution services, and only a relatively small part is transferred back to the farm. At the same time, the resulting high retail cost of food may be presumed to limit the volume of consumption. . . .'

The situation is altogether different in the less-developed countries, Mr Boerma said. 'At the low income and consumption levels in these countries', he said, 'even small rises in income lead to sharp rises in demand for food. These are superimposed on the rising demand due to the rapid growth of population.'

In contrast, their often primitive methods of agriculture, their lack of investment funds, and often the inadequacies of their systems of land tenure, of marketing and so on, make it more difficult to step up production to meet this twofold growth of demand. In many cases, the food consumption levels of the farmers themselves are so low that they tend to consume more of their own produce, once their immediate needs for cash are met, rather than to sell it on the market. The net result is frequent local or national food shortages with rising or sharply fluctuating prices. . . .'

#### Rise in Prices

The F.A.O. Director of Economics told the E.C.O.S.O.C.\* delegates that while prices to farmers have remained steady or fallen back, retail food prices have continued to rise. 'In a few countries this has resulted from the abolition of consumer subsidies', he said. 'But more often it appears in the more-developed countries to reflect rising distribution costs, including wages and more elaborate processing and other marketing services, while in the less-developed countries it reflects the rapid growth of demand, especially when it has coincided with local shortages. . . .'

#### Policy Recommendations

Mr Boerma offered a direction for governmental policies to follow to help current farm problems. Here is what he proposed:

1. In less-developed countries, the greatest attention should be given to policies bringing about a rate of growth of agricultural production commensurate with the increasing need for food and agricultural raw materials resulting from population growth and vigorous efforts for economic development.

2. Developed countries, in defining their agricultural production policies, should take steps through appropriate price policies and other methods to bring about a better balance between

\* U.N. Economic and Social Council.

supply and demand for agricultural commodities. Under demand should be included not only requirements to satisfy the needs of indigenous consumption and commercial export, but also exports on conditional terms to other countries where they can be absorbed without harmful effect on either the interests of other exporters or agricultural development in the recipient countries. In many of these countries, due to the fact already mentioned that farm incomes have remained relatively low, measures to support agricultural producers will often appear necessary for economic, social and political reasons. Those measures should, however, be designed so as to improve the efficiency of production and promote the most rational use of all the resources of the country.

3. In shaping their national policies and forms of international co-operation, all countries should do their utmost to avoid the serious dislocation to their own and other economies that comes from sharp and erratic fluctuations in the prices and volume of international trade.

4. Finally, in all countries, more attention should be given to the system of food distribution. Unless the efficiency of trade, processing and storage is improved, what might be gained through more efficient production might be lost because of wasteful distribution.

### (2) EGG IMPORTS

The following table shows imports of eggs in shell and eggs not in shell for the first six months of this year, with figures of the same period of the two preceding years for comparison. Consumption of eggs is given under the heading 'Disposals', which includes imported and commercially home-produced eggs plus an estimate of the number of eggs produced from domestic poultry.

## Battle of the Books

J. E. MORPURGO, *Director of the National Book League, gives his views on the lack of British books in the East; Russia and the United States by taking our place. He tells readers how this has happened and suggests a remedy.*

IN THE last few months some little publicity has been given to what has come to be called the Battle of the Books.

All over the East an audience which was once accustomed to British books and British journals is being grabbed from us by books in English from Russia, from China, and from the United States. Even the steady market in Australia and New Zealand, though less susceptible than the Orient to Communist infiltration, is subject to the thrust from America, and more and more the bookshops of Sydney and Melbourne, of Wellington and Christchurch, are filled with American paperbacks, with American textbooks and with American periodicals.

But to call this a battle is a compliment to our national policies, for a battle implies a struggle and hope and a supply of ammunition on all sides. For reasons that are incomprehensible to one who has to watch the tragic decline in our influence and the huge threat to our future connections with much of the world, the British book trade is given little of the Government support which has made feasible the American invasion of so many countries whose educational practice and custom has long associated them with Britain.

### The Russians Use Our Language

The Russians and the Chinese, with all the advantages of State subsidy at their disposal, can flood the market cheaply and effectively, but the Russians and the Chinese are at a disadvantage: their languages

*From 'Books of the Month' (Booksellers' Association)*

encourage the use of American books, and the assistance of the Information Media Guarantee Programme (whereby the United States Government pays the exporter in dollars and is reimbursed by the importer in local currency) are filling the library shelves in many a country where once there were British books. In ten or twenty years' time students trained to read American will be middle-aged leaders ready and eager to buy American.

### Two Reasons for Inactivity

There seem to be two distinct and virtually contradictory lines of defence for our inactivity. The first suggests that any favours done to books would offend other trades. It is the kind of specious prophecy beloved of cheese-parers, and, having talked to many of the leaders of major industries on this issue, I have found them all seized with the necessity to let the printed word circulate freely; some are so much on the side of the angels that they are even prepared to subscribe for their wings. The second argument is even more cheap and cowardly. It is that the Americans are our allies and are fighting the cold war for us, and the assumption that we should let them do all the work and in the process get all the rewards.

It is true that there are encouraging signs, but meanwhile the gap between our potential and our achievement widens. Can anything be done to hold the situation from complete deterioration until wiser counsels finally prevail? I believe that it can.

When I was in the East I was much impressed by the absence of good information services about British books. Many publishers do, of course, send out their own catalogues and these are welcomed wherever they appear but, to quote just one

example, I found that the new Central Library of East Pakistan had no British National Bibliography, no classified booklists, either from the National Book League or from any other source, and that the librarian had only recently contrived to subscribe to *The Bookseller* and had no other trade journals or lists. But United States Information Services, in addition to presenting books, had presented sets of selection tools and promised subscriptions for the future.

### We Must Give Service

The British Government-sponsored institutions in the East do have libraries but their services are *passive* and to them come only those who already know that they want something from Britain, from British culture and British know-how. The National Book League, with limited resources at its disposal but with some considerable experience in providing book information, is attempting to set up a scheme whereby information will go *actively* to those in other countries who are the leaders in every field of national activity, to technologists, agriculturalists, men of commerce and educators who may not be aware that they want something from Britain. Knowing then what Britain has to offer in their own particular fields, these men may be concerned to attempt to follow up the information they have received, and if they cannot buy will at least know what they are missing, and be ready to order when we make orders possible.

It is our hope that such active information services will continue even when our present difficulties are solved. We cannot hope to win through because of an ancient tradition of connection. Britain, we must

*Continued on page 324*



## French Qualifications for Full Nuclear Partnership

By A. N. SPANIEL  
(Chairman, International Latex Corporation)

THE drive to make France into a modern industrial nation has been a spectacular success. The 62 per cent increase in physical industrial output from 1953 to July 1958—in real terms—sharply reflects a distinct swing from farming to modern industrialisation.

Whereas agricultural growth in the half-decade has been only about 20 per cent, output of cars has doubled and the chemical industry has expanded by over 80 per cent. France has already become a great factor in world markets not alone for cars and chemicals but for heavy electrical equipment, railway equipment and scores of other important types of goods.

The growing French industrial structure rests on new modern roads, railways, power stations, heavy industries. There has been no problem of unemployment, and in recent months the wage-price spiral seems to have been arrested. There has been not only an increase in personal savings but greater tax receipts.

### Rising Standard of Life

In the last few years the living standards of the ordinary Frenchman have markedly improved. Consumer spending, in real prices, shows an annual step-up of 6 per cent; for example, twice as much meat is being consumed as before the war. The building of new private dwellings has gone up about 50 per cent in a few

years. Significantly, in a country once worried by a declining population, the birth rate has registered a sharp rise.

This remarkable recovery, it should be remembered, did not occur in an atmosphere as peaceful as that of postwar Germany. France has achieved it despite terrifying problems—in Indochina, Morocco, Tunisia, Algeria—that have syphoned off life and treasure on a tragic scale.

American loans, of course, have helped enormously. But in France, unlike West Germany, much of our aid has found its way into military channels. On the purely economic level, France has been almost entirely dependent on her own resources, skills and sacrifices. The French people have known how to tighten their belts, sometimes to the point of creating political instability itself!

### Set Fair, If . . .

This does not mean, of course, that the French industrial boom will continue unabated. Like all other countries, France is likely to have its declines along with its economic growths. But the direction of development will continue promising—at least as long as imports of raw materials for manufacture are not curtailed; as wage increases are not matched by increased output; as exports are maintained at competitive price levels; and especially if the

*French franc is purposefully backed by gold and dollar reserves at growing levels.*

France, we repeat, is a major power, with an enormous potential for further growth. She has demonstrated, under highly unfavourable conditions, a vitality unmatched by any other free nation. We can ignore her greatness and restrict her role in free-world leadership only to our own peril.

Soviet Russia does not hesitate to give maximum support—including

nuclear knowledge and weapons—to Red China. The Kremlin knows the incalculable value of unity in its own camp. True unity is even more important in the camp of freedom. We must recognise the role of France as a full partner, and especially her urgent needs for applied nuclear know-how. Nuclear energy for both peaceful and military uses has become the symbol and substance of strength in today's world. France has no alternative but to reach out for it. Her position in Europe, in Africa, in the Middle East leaves her—and us—no alternative.

## Readers' Commentary

FROM 'LIMEY', NEW YORK, N.Y., U.S.A., 1ST OCTOBER, 1958  
Why Wall Street is 'Going Up'

WALL STREET'S current stock prices are justified by saying that Americans buy on different principles from Englishmen. The American is said to buy primarily for capital gain, not for the immediate future, and in chronic and perhaps very well-founded fear of inflation. It is also said that the rate of interest here is too low to give an adequate income.

But there is another reason: the excess liquidity of firms—the same phenomenon as in 1929 when the market continued rising after signs of a depression had occurred.

What happens? Money from sales made in the end of the 'boom' period continues to flow in, while outgoings for labour, raw materials, maintenance, expansion, credit sales, falls off. Company treasurers seeking employment for these funds lend them to speculators for investment in the market because they get a much higher rate of interest. In 1929 the Standard Oil Co. alone is reputed to have lent \$250,000,000 in this way.

Certainly, this is what has been happening in the bond market here this summer. One firm of dealers has been suspended for arranging loans from banks, corporations, and individuals, for speculative buying of Government bonds. This led to something like chaos and made it much more difficult for the Treasury to finance its future requirements in this way. This at a time of a huge federal deficit. Details have been given in the newspapers and Bank monthly letters.

The whole process is clearly described in Professor Galbraith's *The Great Crash*. He is particularly scathing about the Goldman Sachs 'scandals'—perhaps the largest in history. Issues of paper were made by the Blue Ridge and Shenandoah Corporations for hundreds of millions of dollars, to be exchanged against the buyers' holding of shares in established companies like Standard Oil; these issues were last heard of worth a few cents on the exchange!

(Note: Other letters have been held over for lack of space)

Latin America) to consider a uniform customs tariff on imports of goods from countries outside Latin America, and the establishment of a special multilateral payments system with the long-term aim of establishing a common market for all Latin America with free movement of people, capital and goods. This may take some time: but there is already the making of a regional common market, through bilateral treaties, for the five Republics of Central America—Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica—which since 1951 have had a standing committee with a staff and a budget, and a training college for industrial, agricultural and scientific experts. Each country will have an industry the products of which can be exported to the others free of customs duty. The most advanced of such 'integrated industrial projects', as they are called, is a factory in Guatemala for the manufacture of rubber tyres and inner tubes. Much of this plant has been supplied from England.

#### Opportunities for Britain

Unsatisfactory experiences of barter and bilateral arrangements caused several South American countries to review their policies and to move towards multilateralism, first with the so-called 'Hague' and 'Paris' Clubs dealing with Brazil and Argentina. There are other methods applying, for instance, to Chile and Paraguay. But the essentials are the same. In theory, South American countries would accept a real world international price for their exports paid in foreign exchange freely usable at fine exchange rates: and as consumers they would exercise relatively free choice. From the United Kingdom point of view, our importers

would buy on the basis of market prices without fear of being undercut through some devious practice elsewhere. United Kingdom exporters are no longer restricted by the limits set by a particular country's earnings from trade with the sterling area alone. Now, thanks to the creation of a large 'pot' of sterling and European exchange, freely interchangeable, a South American importer can plan his purchases over a period; while the United Kingdom exporter can plan his exports, and reasonably take a long view of his market since he has access to a wider and steadier flow of exchange.

Greater trade opportunities exist than before the change in policies, although competition is fiercer. This seems to suit our exporters, for it is an encouraging fact that whereas the value of United Kingdom exports to the whole world had risen in 1957 by 14 per cent compared with 1955, United Kingdom exports to Latin America had risen over that period by 45 per cent.

Credit terms are just as important as having the right goods at the right price at the right time. A great deal of the possible business in Latin America, particularly in capital goods, is on deferred credit terms; and the present tendency is for the length of credit demanded to get longer. We have seen that the economies of Latin America and of the United Kingdom are complementary. They are important to us as a source of supply of many of our requirements in foodstuffs, industrial materials and energy: we are important to them particularly as a provider of their capital equipment and the 'knowhow' they need for their development. We can both provide expanding markets for each other.

#### UNITED KINGDOM TRADE WITH LATIN-AMERICA £ Thousand

Area and Country	U.K. Imports		U.K. Exports and re-Exports	
	1956	1957	1956	1957
<i>Dollar Countries</i> ...	91,023	154,383	77,894	87,525
Bolivia ...	11,215	16,011	1,551	1,564
Colombia ...	1,654	4,382	7,962	6,740
Costa Rica ...	147	187	1,699	1,549
Cuba ...	15,571	25,869	8,308	8,117
Dominican Republic ...	12,838	21,055	1,167	1,755
Ecuador ...	772	765	2,427	2,656
El Salvador ...	1,197	736	1,493	1,409
Guatemala ...	292	205	1,648	2,193
Haiti ...	119	452	1,020	670
Honduras (Republic) ...	454	390	482	600
Mexico ...	6,563	6,812	9,576	12,981
Nicaragua ...	903	1,992	797	946
Panama and Canal Zone ...	82	75	6,261	6,410
Venezuela ...	39,217	75,451	33,502	39,934
<i>Non-dollar Countries</i> ...	179,746	191,338	58,009	78,359
Argentina ...	91,616	107,973	17,630	33,149
Brazil ...	26,740	30,716	15,179	18,514
Chile ...	30,927	25,392	5,306	6,975
Paraguay ...	1,917	2,415	608	1,153
Peru ...	16,680	14,123	14,053	10,598
Uruguay ...	11,867	10,720	5,233	7,971
TOTAL LATIN AMERICA ...	270,769	345,721	135,903	165,884
U.S.A. ...	407,831	482,904	258,860	258,598
PORTUGUESE MONETARY AREA ...	19,959	20,290	32,803	35,567
SPANISH MONETARY AREA ...	47,664	52,341	32,744	32,503
OTHER FOREIGN COUNTRIES ...	1,309,280	1,325,989	1,271,733	1,310,278
BRITISH COMMONWEALTH... ..	1,830,616	1,848,343	1,585,940	1,655,525
GRAND TOTAL ...	3,886,120	4,075,588	3,317,983	3,458,355

These statistics relate to merchandise trade; movements of gold coin and bullion, unrefined and partly-worked gold and notes and silver coin in current circulation are excluded. Exports are f.o.b., excluding purchase tax; imports are c.i.f., excluding Customs duties.

From Accounts relating to Trade and Navigation of the United Kingdom

overall reduction in Latin-American imports of manufactured goods. There is no doubt that the new industries in Latin-America are providing more well-paid employment, and the increased purchasing power gives rise to a demand for a new variety of goods: a new urban middle-class market has been created. This is a challenge to our exporters to direct their drive to the most rapidly expanding markets, and to take account of the change in the types of commodities these countries want to import.

The capital investments that Latin-American planners are most anxious to have are those which either earn foreign exchange directly or save foreign exchange by substituting for an import. These countries have a great need for foreign capital—also for technical assistance: people are even more important than money. Soundly conducted investment in the area can be highly profitable. Speaking generally, the conditions for the investment of capital are favourable; there is no discrimination between domestic and foreign capital, although in some countries there are limits to the percentage of profits which can be freely remitted abroad. There has been for years a steady investment in Latin-America by British manufacturing companies with world-wide interests—and our invisible income from these investments and from insurance must be considerable. I am assured that there is no known case of an application for investing in a branch factory in Latin America having been turned down, and that there would be no Exchange Control objection to the transfer of funds for suitable projects. There is a question of policy involved in deciding whether a factory established abroad should be a wholly

owned subsidiary or a joint enterprise with reliable local partners and a substantial participation of capital from local sources. Each case must be decided on its merits, but there are obvious advantages in having a joint enterprise, and that is the form which seems to be increasingly favoured in new investment. One British firm has just set up a company in Mexico in which both Mexican and American capital have a share. The International Finance Corporation, too, which now has an office in London, is ready to participate with British firms in new investment in Latin America.

#### America Supplants Europe

Europe used to be the most important trading partner of Latin America. Before the First World War Europe took 60 per cent of Latin American exports and supplied 65 per cent of Latin American imports: Europe then had much bigger investments there than the U.S.A. Our own investments in Latin America in 1913 were estimated at the equivalent of \$5 billion compared with United States investments at the time of \$1.3 billion. French and German investments were also important. Our imports from Latin America in the last five years before the First World War accounted for 10 per cent of British import trade; while our exports to Latin America in 1913 accounted for 94 per cent of our total exports.

This pattern of trade was upset by the 1914-18 war, when the U.S.A. emerged as the main trading partner, which it has remained ever since. In the '20s the U.S.A. also took over Europe's role as a supplier of capital and made many direct investments in specific industries.

The growing dependence of Latin American countries on the U.S.A. as a market for their produce was brought home to Latin Americans by the severe trade depression in the U.S.A. in the early '30s. Commodity prices tumbled, United States investment and tourist traffic stopped: with the result that the Latin American countries had to cut down their imports by licensing and exchange controls, and defaulted in some of their debt servicing. Ever since that time Latin American statesmen have been anxious to rebuild and expand trading relations with Europe, and to avoid excessive dependence on the U.S.A.

In recent years the U.S.A. has had roughly 60 per cent of the trade with Latin America and Western Europe 30 per cent. Overall, Latin America has generally had a favourable balance of visible trade. But while Europe is importing more from Latin America than she sells there, the U.S.A. is currently selling more to the region than she buys from it. You will see from the table\* of our own imports and exports over the past two years that we had an adverse visible trade balance with the area as a whole of £137 million in 1956 and £180 million in 1957. We can count on American goodwill towards a drive on our part to secure a bigger share in exports to Latin America. I have just been told of one instance where a United States corporation has arranged for its subsidiary in this country to take over exports to Latin America, which had previously been supplied by the parent corporation. British landed costs are two-thirds of those for deliveries from the U.S.A.: so the consumer in Latin America will also benefit.

#### Germany Leads Europe

Amongst Western European exporters to Latin America, Germany is at present leading, although to the extent that her position is due to the use of bilateral clearing agreements and easier terms of credit she will now be losing that advantage. Italy and France have also made progress, their exports to Latin America running at roughly half the value of ours. Canada and Japan are also now in the picture as trading partners, both of them buying more than they sell there.

So far, trade with the Soviet bloc is small. But Russia has offered to take South American surpluses in return for capital goods—which Russia is no doubt now in a position to supply.

#### Regional Trade

At present, trade between the Latin American countries themselves only accounts for about a tenth of their total trade. There is a sizeable trade between the River Plate countries and Brazil, and a lot of imports of oil from Venezuela, which has a very favourable balance of payments as a result, and is in a position to make loans direct to sister Republics. But at the present stage of development, geography and costs would seem to present difficulties to a big expansion of this trade. Many produce the same commodities, and freight transportation services are largely geared to the coastal areas and are expensive. The idea of forming a common market is, however, an aspiration which has long been firmly held; and in February last Señor Galo Plaza, former President of Ecuador, was chairman of a meeting with other Latin American leaders in Santiago (the headquarters of the Economic Commission for

## British Trade with Latin-America

By SIR JOHN TAYLOR, K.B.E., C.M.G.

*Director-General, Hispanic and Luso-Brazilian Councils*

*From a lecture to the Royal Society of Arts on Wednesday, April 23, 1958, with the Rt Hon. Sir David Eccles, K.C.V.O., M.P., President of the Board of Trade, in the Chair*

At the present time roughly one half of our total exports goes to the Commonwealth, one quarter to Western Europe, and 5 per cent to Latin-America. But in 1913 British exports to Latin-America accounted for nearly double that percentage of our total exports, and they may well reach that level again, or exceed it.

### More People, More Resources?

The present population is about 180 million, and it is growing fast. There is plenty of room for this expansion as these countries cover about a seventh of the land area of the world: one of them alone—Brazil—is larger in size than the continental U.S.A. The annual rate of growth of population is so high that it is estimated that, if present trends continue, Latin-America will have 320 million people in 1980, and twice the combined population of the U.S.A. and Canada by the end of the century.

These are striking figures. But unless they are accompanied by a rise in the standard of living, they would not be a measure of the potential market, as markets are people with purchasing power. At present the average income per head in Latin-America is still relatively low: it is highest in Venezuela, and lowest in Bolivia; and in Mexico it is about half way up the scale. But it is rising in each of these countries.

According to a recent American estimate, which I believe to be conservative, the growth in population in Latin-America is being matched with a proportionately bigger increase in the gross national product, leading to a higher per capita income. Within the next decade it is expected that the annual rate of increase of the gross national product in the United States will be 3.4 per cent; whereas it is estimated at 5.3 per cent for Brazil and Colombia, 5.7 per cent for Argentina, 5.9 per cent for Mexico, and 7.8 per cent for Venezuela. The annual increase in per capita income over the next ten years is estimated at 1.8 per cent for the U.S.A.; whereas it is put at 2.5 per cent in Colombia, 2.8 per cent in Brazil, 3.2 per cent in Mexico, 3.7 per cent in Argentina, and 4.8 per cent in Venezuela. So we can confidently predict that Latin-America will be one of the fastest growing markets in the world. And within that market it is significant that the towns in Latin-America show a remarkable growth, providing a big new middle-class market, bridging the gap between the very rich and the very poor.

### Looking Ahead

These countries have very great natural resources, mainly in agriculture and mining, and offer great potentialities for development. Eco-

nomists have stressed that they can expand their national income most rapidly by using local capital and foreign investment in exploiting these natural resources. But throughout the whole area Governments have also encouraged the setting up of local industries to speed economic and social development; and since the end of the war local industries have made enormous progress, especially in Argentina, Brazil and Mexico. Visitors have been impressed by the fact that in public works and industry, as well as in other fields, Latin-Americans are planning ahead, not for five but for twenty-five years. So far, these countries have relied for their basic prosperity on a growing trade in primary products and food. The tropical agricultural countries have exported sugar, coffee, cocoa and bananas, forest products and cotton. The temperate agricultural countries like Argentina and Uruguay have sent us meat and cereals, wool, hides and skins. The mineral producing countries have sent us a wide range of products, including oil. All of them are very dependent on foreign trade.

Venezuela earns more than 90 per cent of her foreign exchange receipts from oil; and overall demand for her oil is likely to be maintained. But there are ten other Latin-American countries which depend on a single commodity for over half their exports; and the market for these commodities is not as stable as that for oil. Thus, Brazil, Colombia, El Salvador, Guatemala and Haiti depend on coffee to between 70 and 80 per cent; Cuba depends on sugar to nearly 80 per cent; Bolivia on tin for about 60 per cent; Chile on copper for over 70 per cent; Honduras and Panama on bananas for between 50 and 70 per cent. Ob-

viously, these countries which depend so much on one commodity are very sensitive to fluctuations in markets and prices abroad; and traders must be prepared to face the ups and downs.

### Changing Complexion

There are of course many other countries in Latin-America, to mention only Mexico and Peru, which have a much better diversified economy and pattern of foreign trade.

Until a few years ago Latin-American imports were fairly equally divided between consumer and capital goods—roughly 40 per cent each, with the balance for fuel and lubricants. It varied, of course, between different countries. Even ten years ago capital goods accounted for over half the imports of Mexico and Venezuela, while Panama's imports of consumer goods accounted for over 70 per cent of the total.

But the pattern has changed. In 1956 56.3 per cent of our exports to Latin-America consisted of capital equipment, and only 12.9 per cent of consumer goods.

This is the result of the general policy of encouraging the setting up of local industries. And these are no longer confined to secondary industries. In some countries, such as Brazil, a British supplier has to decide whether to go into the country and manufacture locally or see his exports to that market disappear. The industrialisation of Brazil is protected by the 'Similares' law which enables a manufacturer there to secure the prohibition of imports once he can prove that similar goods can be produced in Brazil.

Now, while this development does lead to the closing of a market for a particular item, it does not mean an

## Why the Dollar Price of Gold must Rise

By ROY HARROD

If reserves are not increased above their present level by far more than anything that can be done by raising the resources of the International Monetary Fund or establishing ancillary banking institutions, I dare predict that within a decade foreign trade will have degenerated into a restrictive, bi-lateralist, and indeed totalitarian, system. Each country will have to tailor its demand for foreign goods administratively by reference to resources currently accruing; no room will be left for free enterprise in importation. But hard experience may have taught the central authorities to get along, on a free enterprise basis, with less than the pre-war ratio of reserves to turnover. Everyone will have, in this modern world, to pursue the bold policy of living dangerously.

### Double the Minimum

I should regard the doubling of the dollar price of gold as the bare minimum required to salvage the system of free enterprise. In the world-wide conflict between the idea of totalitarian planning and that of a competitive system, which, by its essential nature, requires a certain amount of free play for trial and error, I am convinced that the issue depends precisely on this: on whether the United States authorities decide to double the dollar price of gold, as a bare minimum.

### Prejudice and Policy

The obstacle to revision is in part

mere inertia. One has to produce some head of steam to get an old-established thing changed. There are also deep prejudices, which one might perhaps dub as theological, though they may have a backing in the unconscious mind, which a layman is not capable of analysing. There is a rational although unsound argument that to raise the dollar price of gold would benefit the Russians.

To deny so great a benefit to the rest of the world, in order to avoid giving gain to the Russians is surely rather curmudgeonly in peace time. The case of war has to be considered, although I regard this as extremely unlikely. In a press-button war, which lasted but for a few weeks or months, the gold position would presumably be irrelevant. In a longer war all would depend on whether it was the United States or Russia that was in trading relations with the major part of the neutral world. If it were the United States, then to have raised the dollar price of gold before the war, and thereby the goods value of her existing gold reserve, would bring greater gain to her than it would to the Russians.

It may be objected that it would do for this purpose to raise the dollar price of gold after the war had broken out; but to do this at a time when gold had to be paid out in discharge of dollar commitments would savour of sharp practice and might not be accepted by neutrals, if they felt strong enough to say 'no'. From the war point of view, it would be much

Extract from 'Optima' (Anglo-American Corporation of South Africa Ltd), September 1958

better to raise the dollar price of gold in advance, at a time when there is no immediate prospect of war. That would add to the sinews of war both of the United States herself and of her potential allies.

In his funny, tortuous way man is a rational being. What is so eminently rational as an increase in the dollar price of gold must surely come in due course.

TABLE I.—UNITED KINGDOM TRADE WITH SOVIET BLOC

	U.K. imports from				U.K. exports *to			
	Year		First four months		Year		First four months	
	1956	1957	1957	1958	1956	1957	1957	1958
U.S.S.R.	55.1	70.7	14.0	14.0	55.9	51.8	18.7	18.9
Poland	29.9	23.7	7.9	8.9	10.3	10.6	2.9	3.1
East Germany	2.4	2.8	0.8	1.2	1.5	2.8	1.3	1.5
Czechoslovakia	5.5	8.3	2.5	2.2	3.5	5.1	1.4	1.2
Hungary	3.3	2.3	0.9	1.3	2.6	2.9	0.9	1.0
Bulgaria	0.9	0.7	0.3	0.2	1.1	0.9	0.5	0.2
Rumania	1.8	1.0	0.1	0.5	2.5	3.3	1.4	0.6
China	12.5	14.2	4.7	4.3	10.8	12.2	2.6	3.8
Total	111.4	123.7	31.2	32.6	88.2	89.6	29.7	30.3

\* Including re-exports

TABLE II.—MAIN ITEMS OF UNITED KINGDOM—U.S.S.R. TRADE

	Year		First four months		(First four months only)	
	1956	1957	1957	1958	1958	1957
U.K. Exports and re-exports to U.S.S.R. of which: Rubber (re-exports only)	...	...	...	...	18.9	18.7
Copper and copper alloys	...	...	...	...	12.7	6.0
Machinery (including electric)	...	...	...	...	3.3	6.0
Ships and boats	...	...	...	...	1.0	2.4
U.K. Imports from U.S.S.R. of which: Non-ferrous base metals	...	...	...	...	0.4	1.0
Fur skins	...	...	...	...	14.0	14.0
Timber and pulp	...	...	...	...	2.5	1.0
Pig iron	...	...	...	...	1.9	2.3
Manganese ore	...	...	...	...	1.6	1.9
Wheat	...	...	...	...	1.6	2.0
Cotton	...	...	...	...	1.0	0.9
	...	...	...	...	0.8	0.1
	...	...	...	...	0.8	1.1

of an irresistible force on the Wills which themselves coalesced to form it'. (Speech to Convention, Sept. 9, 1789.) The Will of the People as a 'force irresistible' first appeared at Valmy where the all-seeing eye of the poet Goethe was the first to notice the 'opening of a new era'. It raged through Europe for a hundred and fifty years, finally returning to crush its founders in the 'Blitzkrieg'.

Meanwhile it had crossed the Atlantic and was first voiced by 'King' Andrew Jackson: 'The spoils are for the Victors'. Perhaps more significant, however, was his rejection of the Supreme Court Ruling in favour of the Cherokee Indians in Georgia. The Court ruled against their eviction; Jackson said: 'They made the ruling; let them enforce it'. But although the Will of the People was even then strong enough to break treaties with Indians, it still could not over-ride the Federal Compact. *Vis-a-vis* the Southern States, the Missouri Compromise and the modification of the 'Tariff of Abominations' helped avert the first secession crisis. Thirty years' industrial and urban mass development and the linking of the Middle West with the industrial East by rail would be needed before the Compact was over-written in blood.

Lincoln was the spokesman for the New World Jacobinism. Like his European predecessor, also a small-town lawyer, he came to a violent end. He first showed his radicalism in rejecting, like Jackson, a Supreme Court ruling, in the Dred Scott Case. The constitutional balance of power was not to be tolerated if it thwarted the Will of the People. Franklin D. Roosevelt agreed with him nearly a century later—and Robespierre nearly a century earlier.

In his notorious Cooper Union speech Lincoln was to echo Robespierre's insistence that the people must rely on their own strength to guarantee their rights. 'Let us remember that it is Right which makes Might.' Thus the Will of the People 'united' a continent as Manifest Destiny. It sent Woodrow Wilson to order the rest of the world. He failed amidst bitterness and wrath.

### The Rival Wills

After 1944, in the Air, Atom and Space Age, in an almost prostrate world, the Will of the People in the New World reasserted itself, apparently uncontrollably. It fell with a 'force irresistible' in Asia's backyard (Hiroshima). Professor Blackett, in his *Fear, War and the Atom Bomb*, says the intention was anti-Russian. Surrender negotiations had been opened by the Japanese before the bombs were dropped on Hiroshima and Nagasaki. But too late! The Will of the Soviet People had already crossed by land to the Pacific shore. The Chinese were not overawed, but outraged, by this rival Will, which faltered and called itself 'Massive Retaliation'.

Perhaps we are witnessing something new in history: namely the direct contest of two 'Wills of the People'. Till now the 'Will of the People' has always been opposed in war by the different aristocratic-individualistic tradition of England, and each time checked (Napoleon and Hitler). But it was never checked in Asia or the 'New World'. That is what is new.

### Perilous Hope

Hence these tears and the frightful bitterness of the struggle and the appalling danger in which we stand. Nevertheless there are rays of hope.

First, common sense decrees that a will one third the size of another should be prudent, however right. Secondly, the innate and fundamental dualism in America, which so many observers of the U.S. scene overlook, but which may save us yet.

### Mitigated Absolutism

The Continental tradition of populist absolutism seems to dominate the U.S. today. The Absolute Sovereignty of the People was put by the Revolution above the Law. This was well put by Secretary Olney in the Venezuela boundary dispute: 'The United States is, practically speaking, Sovereign on this Continent and its Fiat is Law!'

Nevertheless the traditions of the

Republic, whence came the Separation of Powers and Judicial Review by the U.S. Supreme Court, are those of the British rights of the subject and the inviolable British magistrature. Like principles influence the other peoples of the Atlantic Alliance.

So the Will of the New World People finds itself isolated in the Far East. It does not believe in its 'Divine Right'. Still less do its allies. It is this critical doubt which may prove salvation. Doubt is an aspect of Liberty and the Will of the People in the New World is oriented towards Liberty.

But the conservative role of the Presidency must be reasserted. Donald Duck will in fact require all his aplomb!

## Social Democratic Principles

BY WILLI EICHLER  
(Chairman of the Programme-Committee)

THE ideas and values of socialism are related to man's life in the orders of the state, economy and society.

Democratic socialism has no particular world view to offer. It makes no statements about final truths. It is not indifferent to nor does it fail to understand philosophical world views or religious truths. This disposition demonstrates its respect for human decisions, which cannot be the object of binding decisions by the party or government. Every citizen must respect the ideological convictions of his fellow-citizen. This tolerance is a basic rule of human social life. It is up to the state to guarantee and safeguard the freedom of belief and

conscience of all those who live in the state.

**Socialism—Capitalism—Communism**  
With its goals democratic socialism stands between the capitalist world and the communist world. Its political goal is a society without class privilege, in which numerous social forces can work together according to democratic rules. The forces which have been roused through industrialisation and technology must be controlled. They should not become the instruments of class-rule, but must be made to serve the freedom of all. The capitalist world cannot grant these freedoms without undergoing radical changes.

From *News from Germany*, September 1958



### (3) U.K. EMIGRATION TO THE COMMONWEALTH

THE following table shows the number of people who emigrated from Britain to the Commonwealth during 1956 and 1957, together with the percentage that Britain's contribution bears to the Commonwealth's total immigrant intake from all sources.

	1956	1957	Total intake	U.K. content	U.K. %
CANADA	164,857	282,163		51,319	31
				112,828	40
AUSTRALIA	123,822	116,232		35,788	29
				37,892	33
NEW ZEALAND	22,488	26,254		12,866	57
				13,247	50
RHODESIAS	26,201	25,145		9,640	37
				10,768	43
S. AFRICA	14,917	14,615		4,476	30
				4,723	32
			Total Common-wealth intake	Total from U.K.	Overall U.K. %
			352,285	114,089	32
			464,409	179,458	39

From Commonwealth Migration Council

### (4) STERLING DEVELOPMENT IN THE COMMONWEALTH

THE provision of capital for the further development of the Commonwealth overseas has been a continuous problem since the end of the second world war. Government investment was directed towards the dependent territories for which it had a specific responsibility. Private investment went both to the colonial territories and to the self-governing dominions, but the latter received the larger share. All estimates of capital movements within the sterling area must be very rough; one authority puts the amount of capital transferred to

From Overseas Review (Barclays D.C.O.) October, 1958

## The Two Faces of the Presidency

Specialty contributed by  
OUR NEW YORK CORRESPONDENT

*It is wonderfully comforting to escape from the dank tangle of American policy in Taipei to the splendour and the power of the strongest naval force that is now afloat.*

*No matter how often you have seen it, the spectacle of a great American fleet at sea is always breathtaking. The big grey warships, steaming forward in their rigid formation that extends to the horizon, are at once menacing and beautiful. Each launching of the huge carriers' fighters and bombers, with the roar and steam of the catapults, is a moment of truth, even for the onlooker. Each swift home-coming, with the sharp surge and check of the arresting wire, stirs the most sluggish heart.—JOSEPH ALSOP, New York Herald Tribune.*

AMERICANS have been asking what made the old man so bellicose? From peace in Korea and near abdication to the sending of troops to Little Rock and Lebanon and threatening their use in Venezuela and China—all this accompanied by rasping speeches directed at Canadians and Chinese. What has happened to the Great White Father? Why is Daddy so cross? Why this 'war-mongering'?

#### Two-headed Coin

The answer lies in the dual nature of the Presidency, viz. in the dual nature of Sovereignty, for it is generally accepted that the Presidency is a Sovereignty. De Tocqueville can be quoted in evidence, and Seward, Lincoln's Secretary of State: 'We elect a King and give him absolute powers'. Thus did he justify Lincoln's dictatorship. Even in 1786 the French envoy wrote home of the American intention to appoint Washington King 'avec tous les Pouvoirs'.

The origins of Sovereignty are obscure. Once, we may guess, there were two Kings. One represented the active, the other the passive, side of community life. The passive was

#### Eagle and Duck

The American Eagle has two heads, both predatory. One of them should however be a Dove of Peace—or Donald Duck. The dual nature of the Presidency would not then be hidden.

In *arriviste* and apocalyptic demagogues or under the plebiscitary absolutism now threatening us the expression of the active side of Sovereignty takes, in a crowded world, particular and dangerous forms.

#### Radicalism, Old World and New

The Abbé Siéyès, homunculus of the French Revolution, spoke of the General Will falling 'with the weight

## Commonwealth Survey

### (1) COMMONWEALTH STRENGTH: REFLECTIONS ON MONTREAL

FEW people in 1945 can have foreseen that the present Commonwealth could be created or that it would work if it was. It has emerged not as a conscious plan, for every time that a Commonwealth design has been proposed it has been rejected, but as a response to the needs of its members. Economically the Commonwealth connection has provided three major advantages. Every country has had the benefit of the sterling exchange system. One only has to compare the experience of Latin-American countries with that of Commonwealth countries to see that the sterling area has been of real advantage to its members.

The second benefit has been free entry to the United Kingdom market for Commonwealth goods. Many Commonwealth countries have been disappointed that the United Kingdom market offered only limited opportunities for expansion. It has nevertheless provided them year in and year out with an opportunity for trade which some of their competitors have had reason to envy, and this has been maintained at the expense of substantial British interests. The third benefit has been that the United Kingdom itself has provided a substantial and increasing flow of investment funds, while the political links of the Commonwealth have created confidence in other investors.

In terms of international relations the Commonwealth provides a different advantage for each country. The Indians see it as a means of avoiding the polarisation of international relationships round the conflict be-

tween the United States and Russia. The South Africans, who resent the connection as much as they value it, find that the Commonwealth provides them with the only friends they have. The Canadians see it as a way of withstanding the quasi colonialist pressures from south of the border. What is even more encouraging is the genuine enthusiasm for the Commonwealth one finds in statesmen from Ghana or Malaya or Nigeria, whose representatives are now in London.

#### No Disappointment

The purpose of the Montreal Conference was to strengthen this association on the economic side. On the whole it can be said to have done so. The three most important decisions have been the British decision to relax dollar discrimination, the Chancellor of the Exchequer's plan for Commonwealth investment, and the Canadian commitment on the binding of tariffs. These are not tremendous measures, but they go beyond the rather modest hopes which could be held out when the Conference began. No one should be disappointed; the Conference has indeed done rather more than could be expected.

Britain has, however, once again been put in the role of the Commonwealth's main provider. In the political life of most Commonwealth countries there is the myth that Whitehall is clinging on to old prerogatives. Yet when the challenge of replacing leadership by association is made, and the actual cost is

*From The Financial Times, September 26, 1958*

action in other spheres.

One of the negative virtues of this Conference has been its recognition of what it could not achieve. It accepted the proposal for approaches to other countries on commodity price stabilisation. On the other hand there was no attempt at a Commonwealth price stabilisation policy on its own. That would have been doomed to failure. It is regrettable that the countries did not agree to a more satisfactory permanent co-ordinating system. Commonwealth economic co-operation will still lag far behind what has been achieved in Europe by the O.E.E.C.

Yet this resistance to organisation is a prevailing Commonwealth characteristic which has to be recognised. Our free association jealously guards its freedom, and sometimes fears those aids to efficiency which would in fact strengthen freedom rather than prejudice it.

counted, there seems to be little desire to trim British financial responsibilities. The Canadians have, of course, gone some way, but it is the United Kingdom which will be putting up much the greater part of the new capital.

#### Limiting U.K.'s Freedom

We are already, of course, investing £200m. a year in the Commonwealth. The new Commonwealth loans are almost certain to increase that amount, though the Chancellor himself put no figure upon the level he expected it to reach. All he said was that Britain hoped to maintain the previous average and improve on it if possible. The danger is that we should once again overstrain our resources, and it is quite reasonable to look on our present strong position as something which may be temporary. This commitment must limit our future freedom of

### (2) U.K. INDIA TRADE

	U.K. imports from India	U.K. exports to India
1955	...	159.0
1956	...	141.4
1957	...	157.6
1957 (first 6 months)	...	88.2
1958 (first 6 months)	...	59.3

(all figures in million £)

*From Eastern World, September, 1958*

## CLAYBURY

*Claybury Hospital. By the Subcommittee of the Management Committee under the Chairmanship of A. F. Joseph, M.A. With a foreword by County Alderman Sir Graham Rowlandson, M.B.E., J.P., F.C.A., Chairman of the North-East Metropolitan Regional Hospital Board. (Headley Brothers Ltd, London.)*

This well produced and finely illustrated brochure describes a splendid and hopeful institution, the spirit of whose staff pervades these pages.

The writer finds its achievement more significant than modern transport, television and atomic power that have transformed our world, because these are physical changes and the difference between a Lunatic Asylum and a Mental Hospital... is the sign of a spiritual growth in the hearts and minds of men.

## READINGS

*Readings in Economics. Edited by Paul A. Samuelson, Robert L. Bishop, John R. Coleman. (McGraw Hill; 35s.)*

This is the third edition of a useful selection of readings designed to supplement standard textbooks in elementary economics. The editors have made a wide selection of authorities, including Sir Henry Clay, Thomas Malthus, John Stuart Mill, Joseph Schumpeter, David Ricardo, Henry George, Karl Marx, A. C. Pigou and J. M. Keynes.

The readings are intended to provide the student with a background of lively debate; arguments for and against various policies and viewpoints have been selected, giving a balanced and objective view of economic thought.

## FOR REFERENCE

*Items in this Section will be kept for one year. Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply, citing the appropriate number or numbers (given in brackets after each item).*

**O.E.E.C.**  
*Economic Conditions in Turkey.*  
O.E.E.C.  
Surveys economic conditions in Turkey, covering the eighteen months period up to the middle of 1957. (1003)

*Economic Conditions in Greece.*  
O.E.E.C.  
Surveys economic conditions in Greece covering the same period. (1004)

**B.I.S.**  
*Bank for International Settlements. 28th Annual Report. B.I.S. Basle.*  
Covers the period April 1957—March 1958. (1005)

**Taxation**  
*Conditions for Direct Taxation and other essays. Science Council of Japan.*

Six essays written in English dealing with the relationship between taxes and their socio-economic background. (1006)

**The Dark Continent**  
*The Development of Africa. Council of Europe.*  
Report of the group of experts presented to the Consultative Assembly. (1007)

*Digest Spotlight focuses on***The Hon. Arnold Henry Nordmeyer**

*New Zealand Minister of Finance*

THE HON. ARNOLD HENRY NORDMEYER became Minister of Finance in the new Labour Government which was elected at the end of last year. In the previous Labour Government (1935-49) he had been Minister of Health from 1941 to 1947 and Minister of Industries and Commerce from 1947 to 1949. During his party's period in opposition he was a leading Labour speaker on matters affecting the country's economy. He is known as a forceful and able debater.

Born in Dunedin in 1901, he was educated at Waitaki Boys' High School, Oamaru, and Otago University, where he graduated B.A. and obtained a Diploma of Social Science. He was ordained a minister of the Presbyterian Church in 1925, and resigned from the Church ten years later to contest Oamaru for the Labour Party. He held this seat in the House of Representatives until

he was defeated at the general election of 1949. He returned to the House as Member for Brooklyn, in Wellington, at a by-election in 1951. Mr Nordmeyer has been a member of the Waitaki Hospital Board. He is keenly interested in sport, and was a referee and a selector for the Waitaki Rugby Football Sub-Union.

Mr Nordmeyer was president of the New Zealand Labour Party from 1950 to 1955, and had been vice-president for ten years before that.

This year, as Minister of Finance, he has negotiated several overseas loans. The most recent was the 46 million dollar loan from J. P. Morgan and Co., of New York.

Mr Nordmeyer led the New Zealand delegation to the Commonwealth Economic Conference at Montreal, and is attending the conference of G.A.T.T. (General Agreement on Tariffs and Trade) at Geneva.

**In 1957 New Zealand Made . . .**

Output	Output
Radio sets . . . . .	94,922
Electric ranges . . . . .	30,086
Electric toasters . . . . .	33,784
Electric jugs, kettles . . . . .	47,131
Electric irons . . . . .	17,860
Vacuum cleaners . . . . .	28,449
Storage batteries . . . . .	277,000
Electric lamps . . . . .	10,000,000
Electric elements . . . . .	555,000
Fluorescent lamps . . . . .	52,487
Radiators . . . . .	22,615
Washing machines . . . . .	33,739
Refrigerators . . . . .	56,180