

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).

Modern Cosmetics and Perfumery.
P.E.P. (2s. 6d.)

A survey of cosmetics, perfumes and toilet waters of all types, their uses, production and distribution. (1042)

Clean Air
A Guide for Industry to the Clean Air Act, 1956. (Federation of British Industries; 4s.)
An F.B.I. handbook designed as a guide for industry. (1043)

O.E.C. Reports
Ireland, Portugal, 1958. (O.E.C., Paris.)
Surveys the economic conditions in Ireland, and Portugal covering the 18-months period ending mid-1958. (1044)

Japanese Surveys
Labour in Modern Japan by Kazuo Okochi, March 1958. (1045)

Development of Local Banking in Japan—Period of Development of Industrial Capitalism by Masao Arai September, 1958. (1046)

Essays on International Trade by Kiyoshi Matsui—September 1958. Published by the Science Council of Japan, Division of Economics, Commerce of Business Administration, Tokyo. (1047)

The Community of the Six
First General Report on the Activities of the Community. January 1st to September 17th, 1958. (European Economic Community Commission.)
Covers the first nine months of the life of the Community. (1048)

Science and Industry
Facing the Future in Industry by Sir Harry Pilkington. (University of Southampton.)
The Fifth Fawley Foundation Lecture. 1958. (1049)

U.S. Economic Development
Economic Growth in the United States. Its Past and Future. February 1958. (Committee for Economic Development.)

A statement of National Policy by the Research and Policy Committee of the C.E.D. (1050)

Spain
The Spanish Economy, 1954-56. (Banco Urquijo.)
This is a useful study covering a survey of many aspects of the Spanish economy, with an explanation of the economic background in the 1954-56 period. (1051)

BOOKS RECEIVED

Possibilities of Economic Progress, by A. J. Youngman. (Cambridge University Press; 32s. 6d.)

Viscount Addison: Leader of the House of Lords, by R. J. Minney. (Odhams; 25s.)

Decision-Making and Productivity, by Seymour Melman. (Basil Blackwell; 27s. 6d.)

Smiths the Bankers, 1658-1958, by J. A. S. Leighton-Boyce. (National Provincial Bank Ltd.)

Economic Forecasting, by V. Lewis Bassie. (McGraw Hill; 68s.)

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Economic Digest

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Digest Spotlight focuses on Mikhail Andreyevich Suslov

IN our September 1955 issue of the DIGEST we turned our Spotlight on Nikita Khrushchev and Anastas Mikoyan as two significant figures on the Soviet scene. Since that time both men have become world figures, well-known by name and appearance to millions of people outside Russia, though few knew much about them in Stalin's day. We now focus attention on Mikhail Suslov, a deputy of the U.S.S.R. Supreme Soviet and Chairman of the Foreign Affairs Commission of the Soviet of the Union of the U.S.S.R. Supreme Soviet.

Suslov was born in 1902, son of a peasant living in the Saratov *gubernia* (now the Ulyanovsk region). In 1917 he worked in the local peasants' committee headed by his father, and in 1921 joined the Communist Party. He studied in a Workers' Faculty, then went on to the Plekhanov Institute of the National Economy. After this he continued his studies at the Institute of Red Professors and lectured at the Moscow University and at the Industrial Academy.

He worked for a time in the North Caucasus area and in 1939 was elected first secretary of the Communist Party Committee of the Stavropol Territory. During the war Suslov was a member of the Military Council of the North Caucasian Front and chief of staff of the Stavropol Territory partisan detachments in which role he mobilised the workers in the struggle against Nazi Germany.

After the war his promotion in the Soviet hierarchy was rapid and since 1955 he has been a member of the

Central Committee's Presidium. He was editor-in-chief of *Pravda* in 1949-50, during which period he was Stalin's close assistant. Suslov has played an important behind-the-scenes role in many of the great controversies which have raged in Russia since the war.

It has been said that Suslov has not always seen eye-to-eye with Khrushchev, that he is one of those who place world revolution ahead of the welfare of the Soviet people. It is, however, Khrushchev's policy which has been accepted and the Soviet government is committed to a policy of raising living standards at home.

Whatever the truth of this may be, it is of some significance that Suslov is leading a delegation of five Soviet M.P.s to Britain, as part of the Soviet policy of promoting contacts between parliamentarians. They have come under Left Labour auspices. Perhaps that is only fair as Khrushchev has expressed his preference for the Tory Party!

Writing of visits of British M.P.s to Russia a Soviet commentator says: 'Our guests could see for themselves the giant scale of our peaceful Socialist construction and our people's desire for peace'. We are glad that Mr Suslov and his colleagues have the opportunity of seeing for themselves what we do and think in Britain, and we sincerely hope that he will report faithfully to his countrymen what has been achieved by a free people.

With him on the delegation are Victor Grishin, Chairman of the All-Union Central Council of Trade

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Why Restrict Output?

BY ANTONY VICKERS, B.SC., M.I.MECH.E.

In this article the author points out that for the last year and more output in this country and Western Europe has been declining, but that in Russia and Eastern Europe it rose rapidly. He asks why it should seem essential that the output of this or any other country should be restricted and concludes that it is only outdated habits and rigidities in our monetary system that make it appear so.

IN times like the present, when there is no shortage of manpower, materials or machines, the question is seldom asked or answered as to why output should be restricted, both by capital and labour. Nor is there any lack of demand for a higher standard of living, which can only result from greater output. Thus engineers, who have been so largely responsible, since the Industrial Revolution, for devising the means for increasing production have good reason to raise this vital question.

During the war, and for years after, every possible effort was made to increase production. Productivity teams of industrial engineers and trade unionists visited the United States to learn how productivity might be increased, and this work has been energetically pursued by the British Productivity Council. But recently a change has come about, as for example in our great coal industry, where the N.C.B. Chairman, as reported in *The Engineer* of January 9, 1959, said:

'Throughout last year the decline in coal consumption, which had started in 1957, continued. The coal mining industry, therefore, which for many years had striven to increase

its output, was compelled by the turn of events to take steps to limit production.'

What turn of events should cause production to be limited; for five million tons a year of steel capacity, for example, to remain idle?

Wasted Capacity

In its first review for January, 1959, the National Institute Economic Review, reporting on the British economy, states that, despite all of the capital investment:

'Industrial production is now no higher than in 1955, and there is enough unused capacity and labour to permit a rise of 10 to 15 per cent in two years.'

This means that if this wasted capacity of manpower, machines and material were effectively employed, the nation's output would be increased by £2,500 to £4,000 million a year, representing a substantial rise in the standard of living.

In Britain we are told that our prosperity is greatly influenced by the economic health of the United States, the economic leader of the free nations. Last year American taxpayers paid their farmers 614 million dollars NOT to produce a

From The Engineer, February 20, 1959

variety of crops which the U.S. Department of Agriculture estimated at: 175 million bushels of wheat; 225 million bushels of corn; 2,000,000 bales of cotton; 600 million pounds of rice; 93,000,000 lbs. of tobacco. How healthy or convincing is such economic practice in a world where Communism is seeking every means to defeat Capitalism?

Turning to Europe, the Bulletin of the United Nations Economic Commission, as reported in the *Sunday Times* of January 4, under the headlines of 'Soviet Output Jumps Ahead. West Europe Standstill' says:

'Industrial output rose rapidly in Russia and the Eastern European Communist countries in the first nine months of last year. . . . In sharp distinction to this was the general picture of the Western European economic scene.' 'By the middle of 1958', the Bulletin reports, 'the levelling off in the rate of industrial production had spread to the majority of Western European countries, and in some instances there was even a down-turn.'

Flaw in the Economic System

Can it really be doubted, if the free nations continue to restrict their output, that it will only be a matter of time, and not so long at that, before Russia and the Communist countries win, not only the economic war, but also the political one? There are, of course, some who are quite content that all is as well as can be expected. There are others who feel that their job is to get on with their engineering and leave well alone. There are, however, an increasing number who take the broader view and realise that there is some flaw in the economic system of the free nations which compels output to be limited, except in times of shortage, and there-

by to suffer a severe and, perhaps, fatal handicap with the Communist nations. Fortunately, it seems that economic thinking in financial quarters is beginning to realise that the monetary system has not kept up with modern production and the leader of the *Financial Times* said on September 4, 1958:

'The more readily and quickly the monetary system abandons its outdated habits and rigidities, the more clearly the need for new policies will stand out.'

What new policies? Well, the Chairman of Barclay's Bank Ltd, gave a clue in an article published in the *Sunday Times* of July 13, 1958:

' . . . but nevertheless I think the Chancellor probably recognises the importance of demand being allowed to match the increased production, which he is doing his best to stimulate by other means.'

Effective Demand

Demand, however, is rather a loose term, and there is a wide gap between the 'desire to buy' and effective demand, which means purchasing power or the ability to buy. In the ultimate, purchasing power is almost entirely distributed through salaries and wages, and this is where a problem arises. In these days of automation and high investment per individual employed, it is not unusual for a man to have £250,000 of capital equipment behind him, and thereby to produce goods worth fifty times his earnings. Thus, despite the interest payable on the capital, the capacity to produce exceeds the purchasing power distributed. In much of industry the capital per individual employed is considerably less but, nevertheless, the same principle applies and, to enable demand to match increased produc-

the creation of the original issue of money should be maintained as exclusive monopoly of National Government. . . .

'Money possesses no value to the State other than that given to it by circulation. . . .

'Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital at interest as a means of financing governmental work and public enterprise. The Government should create, issue, and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government's greatest creative opportunity. . . .

'The taxpayers will be saved immense sums of interest, discounts and exchanges. The financing of all public enterprise, the maintenance of stable government and ordered progress, and the conduct of the Treasury will become matters of practical administration.'

And, looking to the future in Russia, where the monetary system is designed to permit full and expanding production, how shall we measure up in ten years' time? Shall we, and the other Western nations, continue to restrict output or shall we dare to allow production to expand by matching it with increasing demand?

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Unions, Professor N. Ponomaryov of the U.S.S.R. Academy of Sciences, Pavel Satyakov and Semyon Skachkov, both Deputies of the U.S.S.R. Supreme Soviet.

tion, additional purchasing power should be introduced into the economic system, and particularly by effective Government action. This would mean not only stimulating the right amount of consumer demand, but also by capital investment of benefit to the nation as a whole, such as roads, railways, defence equipment, educational establishments, hospitals and so forth, strictly depending on the production capacity available—part, perhaps, of the 10 to 15 per cent of unused capacity at the present time. It is no solution simply to raise salaries and wages merely because the Cost of Living Index has again risen and the pound buys correspondingly less.

Additional Purchasing Power

What is the cost and where is the source of this additional purchasing power of money that is needed to enable the unused capacity of machinery to be effectively used? In April, 1957, the then Chancellor of the Exchequer appointed the Radcliffe Committee to investigate the working of monetary and credit policy in Britain, and it is earnestly hoped that strong recommendations may follow to replace the present 'outdated habits and rigidities' by a monetary system in keeping with the requirements of modern production and trade. As Sir Winston Churchill has so often emphasised, in order to see more clearly into the future it is necessary to study the past. What lessons might be learned, then, from that great American President, Abraham Lincoln, on the principles of monetary policy? The following brief extract from the Library of Congress Legislative Reference Service in Washington says much:

'Money is the creature of law and

Screw Threads

Britain has, over the last ten years, gradually adopted the American unified screw thread. Most Ministry of Supply contracts specify it, and the aircraft and motor industry have adopted it almost entirely for new products. The larger nut and bolt manufacturers in this country state that two-thirds of their production in sizes above $\frac{1}{2}$ in. is now in unified thread and the remainder in B.S.F. and Whitworth.

Below this B.A. threads are used. These are a series of sizes standardised by the British Association many years ago, and were originally metric threads. Unfortunately Britain is almost the only country to use them, and they are disowned by the metric countries!

The International Standards Organisation has recently agreed to produce two international standards for screw threads, one the inch unified, which has been in use in the U.S. for many years and is now being adopted in Britain.

The second is a metric series of sizes to unified profile. This is an entirely new series, which is only just coming into use in the metric countries. It is unfortunate that two standards should be necessary, but it was not possible to get agreement otherwise. It is also unfortunate that there was not complete agreement between the metric countries on the threads they use, necessitating an entirely new standard. The commoner versions of metric threads had shortcomings, such as a low fatigue strength and a difficulty in cutting to fine limits due to the profile.

An inquiry into world production of threaded fasteners has recently been carried out by the International Standards Organisation, with the very surprising result that 63 per cent

were found to be made in inch sizes and 37 per cent in metric. Even more surprising, countries normally accepted as metric were found to be producing a large part of their threaded fasteners in inch sizes. For the four countries for which precise figures were available—Finland, Japan, Switzerland, and Sweden—the totals gave 71 per cent in inch sizes and 29 per cent in metric.

Aviation Industry

This is another important British export and dollar earner, particularly in view of the leading position of British gas turbines. Here again inch sizes predominate. Many of the metric countries of Europe have had to rebuild their aircraft industry practically from scratch since the war.

Although the majority of countries operating civil air transport are metric, the great majority of aircraft used have come from U.K. and U.S. factories.

At the European Aeronautical Conference in 1954 a figure of 85 per cent was given as the proportion of transport aircraft manufactured in the U.K. and U.S., and it was stated that less than 100 out of 4,000 civil transport aircraft had instruments reading in metric units.

In this situation it is not surprising that the language used for international air traffic shows a non-metric bias. The I.C.A.O. table of agreed units contains several units, such as the nautical mile, speeds in knots, time in hours, and angles in degrees, which are not in strict agreement with the decimal metric system. Even this table is far from universal, and the 'Blue Table' with more English units, such as heights in feet, is in use on the greater part of the world's airlines.

In the aviation world this position is creating an almost snobbish attitude among aircrews of metric countries. Unless pilots and navigators are completely familiar with the Anglo-Saxon units, they have no hope of getting on to international routes, and must remain on internal airlines. The French have pointed out that under the Napoleonic code, it is illegal for them to use Anglo-Saxon units, but they can only operate their airlines by doing so.

Conclusion

The advantages of the metric system of dimensioning are undoubted, but the disadvantages of the Imperial system are somewhat mitigated by the fact that in the aircraft and motor industries, and in almost all forms of precision engineering, the decimal inch is used almost universally. For weights, decimal pounds or decimal tons are also extensively used.

Admittedly, there is not the same inter-relationship between units as with the metric system. If Britain were given the opportunity to start her industries again from scratch, she would undoubtedly come down in favour of the metric system. This is almost the situation in India today, but in the U.K. and the U.S. many millions of pounds and dollars are tied up in capital equipment based on inch dimensions.

Whether or not it would be possible to change this in an economical manner is the question to which the Committee is endeavouring to find the answers. It seems clear that the engineering production of the world today is so predominantly based on inch dimensions and screw threads, that a change to the metric system would be for the benefit of a minority. It is not difficult to under-

stand why the majority (both in Britain and the U.S.) should, as they appear to do, object to such an upheaval.

Some Metric and Non-Metric Countries

1. *European countries* fall into two main groups:

(a) Austria, Belgium, Finland, Italy, Norway, Poland, Portugal, Switzerland, and U.S.S.R., in which the metric system is universal as well as being official;

(b) Denmark, West Germany, Greece, Holland, Spain, and Sweden are officially metric but also use other systems, including the in./lb. for various reasons, the most important being that they export to and import from U.K., U.S., and the Commonwealth.

2. *Oil Producing Countries.* Iraq, Iran, Mexico, Venezuela and some other countries are all officially metric but in each of them the oil industry is very important, if not their principal source of revenue. The oil industry is almost universally working to in./lb. sizes because the main development has come from U.S. and U.K.

3. *India* decided to adopt decimal coinage because their former system was even more difficult than the British £ s. d.

They will also adopt the metric system of weights and measures. There were more than 100 variations of the *maund* weight ranging from 280 to 8,320 standard *tolas*. The *seer* was nearly as bad, with at least 20 variations from eight to 160 standard *tolas*.

The system of measures was somewhat better but there were variations from district to district. Although the official *Railways Report* states that the difficulties are not as great as had

been anticipated, it is now understood that the railways have decided to adopt the unified thread in inch sizes because of the impossibility of changing over to metric except for new production. Local manufacturing firms are often subsidiaries of British and American firms. Where cars are being built under licence they must be to the units and sizes of the originals because it would be too expensive to redesign them in metric units, and spares would not fit.

4. *Japan*. Three systems of weights and measures were used—the indigenous *shaku*, *kan*, and *monne*, the metric system, and the British *yd./lb.* From the beginning of this year it is illegal to trade in other than metric

units but the old systems can still be used in factories for exports and imports and land measurement.

5. *U.S.S.R., China, and their allies*. The U.S.S.R. made the change after the Revolution and has always been a strong protagonist for the metric system. Her allies, including China, also use it officially.

6. *Australia and New Zealand*. The Australian Government has appointed a commission to investigate the advantages of decimal coinage. In New Zealand there is also a movement afoot to introduce it, but no government action yet. Neither country is at present likely to adopt the metric system for weights and measures.

THE IRISH REPUBLIC'S TRADE WITH BRITAIN

Year	Imports	Exports	Balance of Trade
1937	£21,470,567	£18,595,058	—£2,875,509
1938	20,315,870	19,905,663	—410,207
1940	24,190,213	28,271,495	+4,081,281
1942	18,789,417	27,143,957	+8,354,540
1944	12,643,950	23,828,236	+11,184,286
1945	18,623,022	27,851,492	+9,228,470
1947	52,283,784	27,445,947	—24,837,837
1950	81,880,241	54,273,203	—27,607,038
1954	97,600,271	85,365,940	—12,234,331
1955	104,570,150	80,928,745	—23,641,405
1957	97,024,236	78,787,034	—18,237,202
1958*	103,400,004	79,317,020	—24,082,984

* Provisional figures.

From *The Statist*, February 28th, 1959

EXPANSION OR EXPLOSION

A solution to the Vital Problem of the Machine Age

by ANTONY VICKERS

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A Crisis in Spain

Our Special Correspondent, ROBERT SENCOURT, who is on tour in Mediterranean lands, follows his report on France with an appreciation of Spain's economic difficulties (February 1959).

THERE have been alarmist reports about the effect of Spain's failure to balance her budget or trade returns.

It was hoped a few years ago, when American aid, so long refused under the Marshall Plan, began to pour its recuperating energy into the industrial life that this would transform the Spanish economy, balance the ruin of the Civil war and make good the removal by the defeated Left of the gold reserves accumulated in the 1914 war. The second world war followed and denied Franco help from outside. Spain was in fact forced to buy off Hitler with all her food surpluses. Real recovery in a collapsed Europe was unthinkable. Yet Spain survived.

Without Marshall Aid she fell behind in the years of reconstruction. The war years were moreover followed by three years of phenomenal drought which had only just ended when in 1953 Americans began helping to rehabilitate the Spanish economy. Since then Spain has received \$1,000 million but has failed to balance her budget and her trade. On the contrary, her dollar reserves are lower than ever. Is she then fundamentally unsound and about to collapse? Such is the rumour.

Madrid and Barcelona

Yet the visitor to Spain has the impression of a country which, though it can never change its great wastes of plateau and mountain, is yet in its great cities buzzing with new business life. Madrid and Barcelona have each grown steadily to

something over two millions of people. In both those two great towns much money is being spent; a number of banks prosper. Expensive hotels and restaurants seem to flourish. Flats are scarce and dear. Spain, like other countries, still seems to be pushing upward into the modern world of business. Only in the last few months have there been signs that business is slackening and the demand for labour dying out. The first murmurs of disquiet have been floating from the masses of workers who through the decades have been used to living at a much lower rate than any of their neighbours in Western Europe, except the Portuguese.

No de-valuation

Two facts are made clear by the Chamber of Commerce: one is that the reserves are exhausted; the other that the textile trades which give Barcelona its reserve of wealth have been depressed for many months. They cannot compete with manufacturers abroad; they have produced more than the Spanish market can absorb. Spain's imports increased between 1950 and 1957 from \$389m. to \$862m.; her exports went up only from \$406m. to \$476m.

Could she not export more if her official exchange (117 to the £) was fixed at or near the rate of her free exchange as shown on the free market of Tangier? (Now 173 to the pound.) The obvious answer was yes. There was therefore the greatest irritation

when Ballestrès, the Finance Minister, announced on January 15 that there could be no devaluation. His speech was considered a fake. It was qualified, however by the statement that he could take no steps until he heard what the World Bank and the International Monetary Fund were proposing. But most people know what they want: devaluation and the removal of trade restrictions and on

foreign investment. At present no company can allow more than a fraction of its shares to be in foreign hands.

Spain has wanted to act as though she were a country economically independent when she is not—to have support from abroad while refusing the conditions which alone would justify it. In this, Spain has joined with the world of Bandung.

Freedom of the City

By WILLIAM M. CLARKE

THE City of London has been given more freedom in the past eight months than it has enjoyed virtually since the start of the last war. Since last July the banks have had a free hand in deciding what they ought to do with the resources at their disposal, and since the end of December the foreign exchange and bullion dealers have been given a much wider area for their operations. In short, the end of the credit squeeze and the introduction of sterling convertibility for non-residents have already had a profound effect on the workings of the City's financial mechanism. The pre-war conditions in which the City institutions worked and operated for so long are now returning rapidly, and adjustments to these new circumstances are being made throughout the Square Mile.

Looking Forward to Radcliffe

But, while these conditions of

freedom can be expected to lead to increased turnover and activity in many directions, it would be idle to think that the City is simply reverting to its pre-war self. In fact, conditions have changed so much in the intervening period that a Committee of Inquiry is at present examining what effect the post-war world has had on the country's financial mechanism and has been asked to recommend any changes in monetary policy that it feels these new circumstances warrant. The report of the Radcliffe Committee is now confidently expected later this year. If that is so, the years 1958 and 1959 may well be regarded in future as the real turning point—as the watershed dividing the period in which the City was gradually recovering from effects of the war from that in which financial freedom was again becoming the main driving force.

From *National Provincial Bank Review*, February 1959

Digest Reviews

SPRING BOOK NUMBER

IRRESPONSIBLE TITANS

The Causes of World War III, by C. Wright Mills. (Secker and Warburg; 15s.)

As in his earlier work, *The Power Elite*, Professor C. Wright Mills, of Columbia University, analyses the American oligarchy who, with their Soviet opposite numbers, held so much in their hands. His stringent analysis is a corrective to much of the claptrap about the 'free world'; serious attention should be given to the author's criticism of the present economic system of the West, geared, in the case of the United States, to war production, and ill-adapted to the needs and sentiments of the under-developed nations.

Where this book fails, however, is to prescribe remedies more practical than such manifestations of good will as a free exchange of scientific information between the camps. 'Before the world is made safe again for American capitalism or Soviet Communism or anything else, it had better be made safe for human life.' It sounds good, but does not get us very much further forward.

Readers are recommended to concentrate on the earlier part of the book and skim the remainder.

BRITISH IMPERIALISM

The Imperial Idea and Its Enemies: A Study in British Power, by A. P. Thornton. (Macmillan; 30s.)

The ground covered in this fascinating story of the transition from old Empire to modern Commonwealth by the Professor of History in the University College of the West Indies has been covered by many historians already. Never before

have the various theories and expressions of British Imperialism, at times Liberal and Socialist as well as of Conservative, been so effectively and completely isolated and critically examined. We see how policy and philosophy lagged often behind realities and the author urges the Imperialist to 'throw down his gauntlet to his own generation, before his enemy can appear'. To find the right imperial idea for the times 'is the cruel test that lies in wait for all British statesmanship in the second half of the twentieth century'. Our islanders cannot be saved or play their part by insularity.

This admirable work of scholarship is a mine of apt quotations for student and statesman alike.

WORLD AFFAIRS

Introduction to World Economy, by A. J. Brown. (Allen and Unwin; 18s.)

In this book Professor Brown provides a useful background of economic fact and analysis against which current events, particularly those in the international field, can be better understood. The author does not assume a previous knowledge of economics on the part of the reader, and devotes the first three chapters to an explanation of how an economy works. He then examines productivity, prices, occupations and specialisation, the pattern of international trade, and similar questions. The final chapter deals with the efforts which have been made in the direction of controlling the hazards of the world's economic life through international institutions.

INDUSTRIAL GROWTH

The Growth of Industrial Economics, by W. G. Hoffman. (Manchester University Press; 25s.)
Possibilities of Economic Progress, by A. J. Youngson. (Cambridge University Press; 32s. 6d.)

The problem of under-developed countries, with living standards so deplorably below those of industrialised countries, has become a major political and economic issue. The first of these books examines the genesis and progress of industrialism in the more highly developed countries and supplies useful material for those concerned with this problem. It shows the pattern of development in the older countries and analyses and compares the growth of manufacturing industry over long periods of time. First published in 1931, this book is a translation from the German, revised and expanded, with statistics brought up to date.

In the second of these books Professor Youngson sets out the historical facts with the object of discovering the most promising economic policies for the backward areas of the world. He examines the development of four different economies at different times, Great Britain in 1750-1800, Sweden in 1850-1880, Denmark in 1865-1900 and Southern United States in 1929-54, and then compares and analyses these accounts. He later applies his conclusions to under-developed countries such as India and Iraq.

1759-1959

The Plains of Abraham, by Brian Connell. (Hodder and Stoughton; 21s.)

This vigorous account of the British conquest of Canada from the French is popular history of a high order. With an eye, doubtless, to

transatlantic readers—may there be many!—Mr Brian Connell soon introduces us to the Virginian aristocrat and King's soldier who was to lead the American Revolutionary forces. It was Quebec which made Yorktown possible.

This is a picturesque story—lurid where Redskin habits are described—and the general reader will be helped to an understanding of the involved conflicts of loyalties, interests, and empires which lost the Crown the Thirteen Colonies but gained a realm which would presently reach from sea to sea.

The illustrations will be enjoyed; but the map could have been better designed to show France's attempts to hem the Colonies in upon the ocean.

GREAT CATALOGUE

An Economic Geography of the Commonwealth. Prepared by the Economist Intelligence Unit. (Blackie.)

Commissioned by the Federation of Commonwealth and British Empire Chambers of Commerce, a far-ranging and valuable institution, this is an edition, corrected in 1958, of what was first published in 1957.

It is the best and most readable survey of its size known to us, not only of the economic potential but of the history and institutions of the Commonwealth and its members.

FROM PITT TO GLADSTONE

The Age of Improvement, by Asa Briggs. (Longmans; 35s.)

Professor Briggs has provided a very valuable political, economic and social survey of an important period in English history. The years covered, from 1784 to 1867, saw the advent of the first industrial revolution, and with it the transformation from a largely agricultural to a predomi-

nantly industrial community. The author not only discusses the political and economic aspects of events, he also describes the part played by scientific development and literary and intellectual reactions to the changing circumstances as well as the influence of religion. This is a book which can be studied with profit by everyone concerned with the advent of the second industrial revolution.

SISAL SURVEY

An Economic Survey of the Sisal Industry of Tanganyika, by C. W. Guillebaud. (Nisbet; 15s.)

This economic survey deals with the production of a primary commodity in a tropical climate, the sisal industry of Tanganyika being the only large-scale producer of hard fibre in the Commonwealth and sterling area. Of particular interest to economists is the chapter dealing with price fluctuations; the average price per ton varied from the high point of £229 16s. 10d. in 1951 to £71 16s. 0d. in 1957.

The author, whose work in this field was initiated by the Tanganyika Sisal Growers' Association, has made good use of the facts, figures and evidence made freely available. The result is a survey of great value to all concerned in the industry.

BEHIND THE IRON CURTAIN

The March Wind, by Desmond Donnelly. (Collins; 18s.)

Mr Donnelly, the Member of Parliament for Pembroke, has produced a first-class account of his explorations behind the iron curtain. He writes with sincerity and with a sense of humour which carries the reader with him on his adventures.

He makes it very clear that in his opinion the present Russian leadership has no intention of giving up its pressure, but maintains that 'we shall only win this battle [for men's minds] if we adhere to truth and reject shallow propaganda'. His views have been underlined by the events in recent days arising from the Prime Minister's visit to Russia. The publication of this book should contribute to a better understanding of the issues involved in the economic race with Communism.

FACTS ABOUT ADVERTISING

Advertising in a Free Society, by Ralph Harris and Arthur Seldon. (Published by the Institute of Economic Affairs; 18s.)

The authors bring together in this report on advertising all the main facts, figures and arguments necessary for the reader to form a balanced judgment. For much of the factual material the authors relied on the co-operation of leading British and American companies, agencies, organisations and individuals with experience of marketing.

Part I throws much-needed light on the relationships between advertiser, agency and media owners (press, television, etc.); it shows how agencies (or 'practitioners') have developed a wide range of marketing services, how they are paid by commissions from media owners, and how the commission system may give rise to a conflict of interest between the advertiser and his agency. Part II provides a searching analysis of the economics of advertising. In Part III, the book turns from the effectiveness of advertising in promoting manufacturers' sales to examine its bearing on the freedom of consumer choice.

STUARTS

The King's War, 1641-1647, by C. V. Wedgwood. (Collins; 35s.)
The Stuarts: a Study in English Kingship, by J. P. Kenyon. (Batsford; 25s.)

We welcome the second volume of Miss Wedgwood's story of the Great Rebellion with the same cordiality we extended to its predecessor *The King's Peace*. Once again a real and vivid panorama is projected from a mass of detailed incident. The vital issue, who was to control the militia, King or Parliament, emerges clearly as a revolutionary challenge to old monarchy. That being so, the 'duplication' of Charles I is perhaps overstressed from a standpoint where standards and constitutional theory are very different.

Dr Kenyon's more slender work is finely written and beautifully produced—a Batsford Book. The author

sometimes seems a trifle supercilious—superior to the times he describes. One point well made is that the Puritan and Laudian conceptions of English churchmanship, bitterly opposed, were both nationalistic or insular. In Miss Wedgwood's book we can read of Laud's martyrdom for a Protestant establishment misrepresented by its enemies as crypto-Papist and she ends with a quotation from Milton exulting in the English destiny.

NEW EDITION

The Structure of Competitive Industry (Cambridge Economic Handbooks), by E. A. G. Robinson. (Nisbet: Cambridge University Press; 8s. 6d.)

This new edition of a long-established textbook has been completely revised and reset. It retains its character as an elementary introduction to the study of the theory of

Adventure in OIL

BY HENRY LONGHURST

THE RT. HON. SIR WINSTON CHURCHILL, K.G.E.

This is the thrilling story of the men who began and built up the British Petroleum Company, now one of the greatest commercial enterprises in the

1, TAVISTOCK CHAMBERS, BLOOMSBURY WAY, LONDON W.C.I.

World. It originated with the dramatic events of the night of the 26th of May 1908, which were to change the course of Middle East history and the shape of the oil industry. Alive today are men who marked out with scraps of calico the route for the first pipeline in the Middle East or sailed in a boat over the waterlogged island of Abadan, where later they built the biggest refinery in the world with a community the size of Brighton or Salt Lake City. Their successors in the last half-century have spread their business over all five continents and sail the seas in a tanker fleet rivaling in tonnage that of the Company's first really big customer, the Admiralty, in 1914, when its First Lord was Mr. Winston Churchill.

Illustrated with 50 pp. of photographs. Map end-papers in four colours. Price 21/- (Special pre-publication price, if ordered before April 14th, 1950).

SIDGWICK & JACKSON LTD

production, but more modern examples of the general principles are provided.

Chapter III, which deals with the limits on the size of the most efficient firm which may be imposed by the problems of management, has been considerably revised. It now treats the limits so imposed as arising principally from the dangers of inflexibility and ossification in a world of constantly changing products and changing techniques. It stresses the likelihood that a considerable plateau of approximately constant costs will separate the minimum size at which full efficiency is achieved from the point at which any possible diseconomies of excessive size may make themselves felt.

SHORTER NOTICES

Human Resources for Egyptian Enterprise, by Frederick Harbison and Ibrahim Abdelkader Ibrahim. (McGraw Hill; 43s.)

This is one of a series of studies by the Inter-University Study of Labour Problems in Economic Development. It analyses problems connected with the industrialisation of Egypt under the new régime.

Northwest Conquest, by Lauran Paine. (The Fireside Press, Foulsham; 15s.)

The author has written an exciting account of the background of Ameri-

can Northwest history from the time of the Louisiana Purchase in 1803 until the end of the campaign against the Indian tribes in 1858.

Aden, by Sir Tom Hickinbotham. (Constable; 21s.)

The author succeeds in his purpose which is 'to make available to people of the United Kingdom an accurate picture of the country and people of the Colony and the Protectorate of Aden, and by so doing to serve the people of those territories among whom I have spent many interesting and happy years'.

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

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

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

This is the sixth volume in a series of bibliographies produced by the International Association for Research into Income and Wealth. It gives fully annotated references to material published in over fifty countries during 1953-54. Its international scope makes it particularly valuable.

BOOKS IN RUSSIA

The best books by foreign, and in particular British authors, are published in large editions in the Soviet Union. During 1957-58 alone, 265 books by British writers were published, in editions totalling 25,753,000 copies.

Millions of Soviet schoolchildren are studying the English language.

From an interview with Alexei Surkov, President of the U.S.S.R.-Britain Society

Commonwealth Survey

(1) BRITISH TRADE UNION AID TO COMMONWEALTH? £250 MILLION A YEAR FOR DEVELOPMENT?

ECONOMIC DIGEST is glad to be able again to commend for earnest consideration the proposal made by Mr Bob Edwards, M.P., in the name of the Chemical Workers' Union, of which he is President.

I ONCE tried an experiment in my trade union. I was asked to produce a plan whereby the chemical workers could give practical assistance to under-developed areas in Africa, and I produced a plan that was carried overwhelmingly by all the members of my union. The only people who voted against it were a handful of Communists.

That plan was based on the deduction of 6d. a week out of every £1 earned by the member of the union. They agreed to that . . . as long as the money could be withdrawn at the age of sixty-five and carried the

normal investment rate they got at the Post Office.

It seems to me that this is the kind of approach to which the British workers would respond. If we could obtain a response of that nature from the people of this country working in industry based on 6d. in the £ per week, we should have an income of over £250 million a year. This sum would be withdrawn from purchasing power. It would help to halt inflation and bring prices down, and it would provide a constant flow of capital investment into all the areas which need this capital.

From Hansard, March 2, 1959: Second Reading Debate on the Colonial Development and Welfare Bill

(2) FREEDOM FOR ENTERPRISE AND FOREIGN INVESTMENT PAKISTAN'S NEW INDUSTRIAL POLICY

MAXIMUM freedom to private enterprise, encouragement to medium size and small industries, better facilities to foreign investors and development through specially constituted corporations are some of the highlights of the new industrial policy announced by the Government of Pakistan on February 20.

Concessions and safeguards, both in the field of participation and sharing of profits, are offered to attract foreign investors in industries like heavy engineering, mining, heavy

From Pakistan News, March 1, 1959

chemicals, pharmaceutical, production of coal and gas and processing of all minerals, including oil.

Manufacture of arms and munitions of war and production of atomic energy are reserved for state ownership and state management.

This statement of policy was released to the Press by the Industries Minister, Mr Abul Kasem Khan, who said that the policy aimed at 'ensuring continued and rapid growth of the industrial sector of the economy'.

(3) BRITISH AID TO KENYA

KENYA is to receive £1,600,000 in financial aid from Britain during 1959-60, after which there will be no further assistance from the British Government on meeting expenditure arising from the Emergency. This was stated by the Minister for Finance, Mr E. A. Vasey, in Kenya Legislative Council when he reported on his recent talks in London.

Mr Vasey pointed out that the attainment of financial independence by July 1, 1960, will mean that the services provided to the people of Kenya will have to be limited to those which can be safely borne by the country from its own resources. The Government had plans to absorb Emergency expenditure without imposing too great a strain on the economy, and he had every confidence that this could be done.

From Kenya Newsletter No. 198, issued by Kenya Public Relations Office

Aid to Kenya during 1959-60 will consist of a grant of £800,000 and an interest-free loan of the same amount, compared with a grant and a loan of £750,000 each for the present financial year.

The Minister said: 'This means that by March, 1960, Kenya will have received from Great Britain as assistance towards the cost of the Emergency the sum of £25,050,000 as a free grant and £6,050,000 as interest-free loans with an eight-year moratorium on capital repayment, which means that the Colony will have been given twenty-eight years in which to repay the principal of these interest-free loans. It must be remembered that in addition Her Majesty's Government has been responsible for the basic pay of all the British troops used during the Emergency.'

(4) AUSTRALIAN EXPORTS SHINE

AUSTRALIA'S factory exports continue to exceed the country's oversea wool sales in value—£303m. in the last financial year as against the estimated £204m. for wool.

Alan Nicholls, writing in *The Age* (Melbourne) says: 'Australia is, in short, in the process of balancing her export trade in such a way that fluctuations in wool will no longer disturb the economy'.

The total export of Australian factory products has risen from £270m. to £303m. in two years; exports of machines and machinery rose from £9.4m. to £12.7m. between June, 1957 and June, 1958; export of iron and steel has made an astounding jump from £7m. to £23m. in two years.

Exports of oils and fats, until recently selling abroad at a token figure, have now reached £24m. a year; sales of wine, always regarded as a prestige builder, have increased in the United Kingdom from 700,000 gallons to 1,300,000 gallons in three years.

From News from Melbourne, March 1959

Britain's Trade with Europe : The Central Issue

Specially Contributed by MALISE LYNDONCH GRAHAM

THE argument of this paper is the opposite to that usually put forward. It claims that the solution to the problem is for Europe to take relatively more not less U.K. exports. The basis of the argument is that the U.K. can no longer afford to finance West Europe's deficit with the outside world as she did before 1914. This results from the changed pattern of world trade since 1918 and *a fortiori* since 1944 when the United States became the dominant economy and creditor and the U.K. a debtor. The inability of world trade and payments to adjust to this new pattern in the inter-war years was the main cause of the breakdown in 1931.

The pre-1914 pattern was not exactly what is generally believed. It is true that it was basically bilateral. The U.K. and Continental Europe took raw materials in exchange for manufactures; but within this pattern it was triangular. Although the U.K. had a *balance of payments* surplus (which it offset by increasing imports and overseas investment) it had no merchandise trade surplus as many believed. The balance of payments surplus was achieved entirely by a surplus on invisibles and service account (shipping, insurance, dividends, interest). On merchandise, there was an overall deficit and a deficit with the Colonies.

Closing the Circle

What had happened was this: British overseas investment had generated more raw material supplies than the U.K. could absorb. The overseas territories therefore

vented their surplus with West Europe, with whom they ran a trading surplus, i.e. Europe had a deficit with them. To offset this deficit Europe had a surplus with the United Kingdom and this U.K. deficit offset Britain's balance of payments with the rest of the world and was the way in which the usufruct of a large part of her overseas investments were transferred back to her. In other words, the world pattern of trade and payments was made homogeneous by this closing of the circle.

It is always the task and interest of the dominant to run an import surplus and so balance world trade and maximise its own income. The U.S. has moved a considerable way towards doing this, compared to the inter-war years, but has not gone far enough (although it fills the gap to a certain extent with aid, etc.). The problem is complicated by the fact that the type of short-term lending practised in the inter-war years is obviously unsound. Current account deficits were covered by short-term borrowing. This did nothing to build up the export capacity of the borrower, whereas the type of long-term nineteenth-century lending which *did*, is no longer so necessary for the U.K. and Europe. Their population growth is slackening and with it the rate of growth in demand for basic materials and food.

Why Sterling Suffered

This is the main reason for the strains on sterling in recent years. As Professor Sir Roy Harrod has shown in his *Pound Sterling 1951-1957*

(Princeton 1958), the U.K. has paid nearly \$3,000,000,000 of gold into the European Payments Union, whose dollar deficit (excluding the U.K.) grew from \$2,000,000,000 to \$4,000,000,000 in 1957 on merchandise account. In other words, balance of payments surpluses were no longer offset by trading deficits and the pattern instead of being homogeneous is asymmetric.

West Germany has been in surplus with the E.P.U. as a result of refusing to assume an equitable share of Europe's arms burden. This accounts for the transformation of the U.K. and France from leading creditors in E.P.U. in 1951 to leading debtors by 1952. In that year the U.K. arms budget was increased by three million sterling. The civilian sector of her economy contracted while that of Germany expanded. The same applied *mutatis mutandis* to France. But Germany has a big deficit with the dollar. (For propaganda purposes she calls it a 'negative balance'). In 1957 it was about \$1,500,000,000, while the U.K. had a current account surplus. Furthermore, and more important still, Germany refuses to expand her economy by importing more as a creditor should. Instead she indulges currency hoarding or deflation at the expense of her working class. Thus German, like U.S. policy, makes the balancing of world trade and payments at maximum level impossible.

The Heart of the Matter

So talk of Free Trade Areas, Common Markets, Imperial Preference, U.S. tariffs is irrelevant. The sole question is: *How can the new pattern of trade and payments be made homogeneous at maximum level?* There is only one answer: by the Continent taking relatively more

U.K. exports, and the U.S. developing an import surplus.

Any other solution must involve deflating the U.K. economy and thus eventually its purchasing power from the Continent and the U.S. This would involve a reduction of their export industries with the usual effects through the multiplier on their home trade. As chief creditor, the U.S. would suffer most. It cannot avoid the adjustment which can only come through these two ways. This does not mean that it must be done overnight.

A final corollary on Germany. No one wants to stop the Germans getting back into the act. But if they are to use the assistance they have received from the U.S. and U.K. (British assistance is never mentioned but without it they could never have turned the corner in the early days of the E.P.U.) to conquer Europe and the pound with American money, they should be told that we do not agree.

Eternal Germany

German propaganda is as good as it ever was in 1936: and their underlying position just as weak—in fact far weaker. Truncated, German industry is unbalanced compared to British. There is no atomic industry yet, no aircraft or arms. The Germans are much weaker in the consumer goods field. As regards their currency, nothing could be more unsoundly based for something claiming to be a world convertible currency. In huge deficit with the dollar area, Germany is only in surplus with the E.P.U. for the reasons already stated, and the consequent depression of the living standards of their competitors.

After Adenauer there is bound to

be pressure for a rise in imports and possible political disturbance and again if the Germans decide to arm in earnest. Even if they continue to let others defend them they would be the first to suffer in any trouble over Berlin. (The Berlin blockade was directly touched off by the decision to divide Germany economically.)

In an interview with the *New York Herald Tribune* (February 16) one of Germany's most powerful men,

Alfried Krupp, said: 'I believe Americans and Germans understand each other well. . . . I am sure there is a much better understanding than between Americans and some other European countries.'

Krupp has 'spoken open' and unregenerate like his former master, Hitler. We can be certain he means it just as much. The destruction of England trying to reunite Germany would be history's supreme irony.

Exports, Employment and the Dollar

THE direct and immediate stake of U.S. business and labour in exports stems from their importance for the domestic economy. Merchandise exports account for something like 8-10 per cent of the value of goods produced in the United States. According to Department of Labour estimates, 4½ million persons, 7 per cent of the civilian labour force, gain their livelihood directly or indirectly from export trade and the domestic distribution of imports.

These aggregates, however, tell only part of the story since the export markets are of even greater importance for many individual sectors of the economy. For instance, about 10 per cent of farm income is derived from sales abroad; in recent years, about two fifths of the cotton and one third of the wheat grown in the U.S. have been exported. Among industrial products, exports are particularly important in machinery lines; they account for 40 per cent of all sales of

From The First National City Bank of New York Monthly Letter, March 1959

Rural Economy

(1) A LAND BANK FOR BRITAIN?

THE help that has been given or is to be given from Government sources to small farmers goes a long way towards disposing of the arguments in favour of the establishment of a Land Bank, for the strongest reason for the setting up of such an institution is the relatively greater difficulty experienced by the small farmer in obtaining finance as compared with his bigger brethren.

The idea of a Land Bank is not a new one. As long ago as 1696 an attempt was made to set one up in England. The main purpose then, however, was to bring about an increase in the money supply and to enable the Government to renew the coinage. In exchange for a loan of £2½ million to the Government the Bank was to be permitted to lend money, in the form of inconvertible notes, to private persons upon mortgages. After a few months the scheme was abandoned as a failure.

Foreign Experience

Land Banks exist in a variety of forms in many countries, particularly in Western Europe and in the U.S. Some are state-owned, others are privately-owned. Some specialise in mortgage finance whilst others provide both long-term and short-term capital. The establishment of a Land Bank in Britain would appear necessary only if it could be shown either that the money were not already available, or that the proposed institution could lend more cheaply and with greater flexibility than existing sources. This is by no means proven. A Land Bank's resources

would have to be very large, for if this means of finance were advantageous it should be available to all farmers. Funds would have to be raised and there is no reason to suppose that the Bank would be able to afford to charge its borrowers less than normal rates of interest.

One way of raising money would be by the acceptance of deposits from the public but this would require a network of branches and agencies that would overlap ground already covered by banks, building societies and hire-purchase concerns. This would appear to be a costly and wasteful business. Moreover, unless the Land Bank were able to tap genuine new savings, which appears unlikely, its funds would be at the expense of other equally deserving industries.

The Government has to pay market rates of interest when it borrows money. Therefore, if the Land Bank received its finance from the Government, it would have to be charged market rates of interest—unless some of the existing £300 million a year of subsidies were used to make low rates of interest possible (the industry could hardly expect to be subsidised any further than it is at present). If some of the money used for production grants were redirected in this way, then the Ministry would lose much of its power to enforce good standards of farming by rejecting plans for improvements which did not come up to standard. Furthermore, the benefits of this cheap credit would probably be somewhat indiscriminate in effect. It is possibly

An extract from an article entitled 'A Further Source of Farming Capital' from Westminster Bank Review, February 1959

best for agriculture to find its finance under free competition and for any support to be supplied by grants and subsidies which can be varied and controlled and whose effects can be assessed.

Commercial Banks Enough?

On the question of flexibility, it is doubtful whether a Land Bank could improve on the services of the commercial banks in the provision of short- and medium-term farm finance; and for long-term finance its formalities and costs would probably be no less than those involved in borrowings from the Agricultural Mortgage Corporation.

Sometimes it seems to be supposed that the setting up of a new institution or the provision of new financial machinery will by itself result in additional capital becoming available. But in reality only additional savings can do that. Without those extra savings more capital for agri-

culture must mean less for some other purpose; and, taking as objective a view as possible, there seems no reason to think that agriculture as a whole is at present getting less than its fair share of the nation's limited supply of capital. As this article has shown, there are a number of agencies for the channelling of capital resources from savers to farmers. The Agricultural Mortgage Corporation and the Lands Improvement Company, supplemented to some extent by the banks, together with very substantial supplies of Government funds, take care of the long-term needs of farmers. For medium-term credit they look to hire-purchase companies and the banks and for short-term finance agricultural merchants and, again, the banks. It is by no means evident, therefore, that there is at the present time any real need to establish additional machinery for agricultural finance or to create a new farmers' credit institution.

(2) WORLD MEAT EATERS

THE Argentinians continue to be the world's greatest meat eaters.

Recent figures show the yearly per capita consumption in Argentina is 242 pounds. The Australians come next in line, eating an average of 223 pounds per person. New Zealanders are next, eating 220 pounds. Uruguayans eat 188 pounds and United States is in fifth place as Americans eat 159 pounds per person.

The Danes eat an average of 142 pounds per person, the Canadians 137 pounds, the British 134 pounds, the French 122 pounds, and the West Germans 107 pounds.

The types of meat eaten vary sharply. Although the Argentinians

From World Farm News (International Federation of Agricultural Producers, February 1959)

Argentina Cuts Down

But Argentina is trying to cut down on its meat eating.

The Government has decreed that meat consumption must be reduced to 30 per cent below the level of July, 1958. Right now, Argentinians eat an average of 242 pounds of meat per person per year.

All slaughtering houses and meat-packing companies must comply with the new Government regulations. In addition, all restaurants, hotels,

and other food establishments are forbidden from now on to sell meat on Mondays and Fridays. Further, the Argentine Secretariat of Agriculture and Livestock has been authorised to close down all unsanitary or inefficient slaughtering installations.

These measures will mean more cattle will be slaughtered for export this year. Exports also will be stimulated by a recent freeing of the Argentine peso.

The Twin Roles of Unit Trusts

By EDWARD DU CANN

(M.P. for Taunton and Managing Director of Unicorn Trust)

It is not generally realised how much capital is required to provide each worker in our main industries with the equipment necessary for his job. Typical examples have been estimated as follows:

Shipbuilding	£1,250
Beer	£1,240
Chemicals	£2,680
Cement... ..	£8,000
Petroleum	£10,000

These are large sums. On the face of it, workers cannot be expected to bring their equipment with them or to help managements find the necessary finance. Or can they?

The capital required by industry and commerce for modernisation, for research and for expansion is usually found from the following main sources. From the ploughing back of profits, from institutional investors such as Insurance Companies and Pension Funds investing through the Stock Exchange, and from the investments made by private individuals.

But industry is a voracious con-

From The British Manufacturer, February 1959

sumer of new capital. New developments are prodigiously expensive and are likely to be increasingly costly in the future.

Yet industry must have a constant flow of new capital if it is to remain efficient and modern. Without new capital there will be no new developments. Industry will stagnate, with the result that we in Britain will watch our standards of living decline as Britain's share in world trade diminishes due to declining technical efficiency.

Workers' Savings

One can look no longer to the wealthy man to promote the expansion of industry by investment. The palmy days of the nineteenth and early twentieth century, when income tax was only 1s. 6d. in the pound, when large savings by private individuals were possible, are now past for ever. Even if they were not, industry requires more money for capital investment than the old-fashioned private investor can supply.

All this is clear, and beyond doubt. But there is still one source of collective capital that is yet hardly tapped. This is the savings of the man-in-the-street, or workers' savings.

The collecting of these savings, and their dispersal to industry, is the function that Unit Trusts—of which there are some forty in existence—are ideally suited to perform. They collect small sums, sometimes as little as 10s., from a multitude of investors and bring them to the Stock Exchange for industrial financing. Most Unit Trusts invest in a large number of Companies in different industries.

With the safety of the spread of risk in a portfolio of, in many cases, over one hundred Companies, the worker is able to share in the prosperity of our country's industrial expansion and at the same time gain interests outside his usual field of employment.

The Board of Trade lay down requirements to which Unit Trust managers must conform. This gives protection to the shareholder in a way unprecedented in any other form of investment. The Trustee, usually a bank or large insurance company, holds the securities in the Trust Fund in safe custody, keeps the register of shareholders and distributes the net income each half year. This is a double protection for the shareholders.

Links with Banks

Some of the more progressive Unit Trusts have links with leading City merchant banks. These merchant banks can give valuable investment advice which is normally not available to the ordinary investor.

In a word, therefore, the investor in Unit Trusts acquires two important advantages. First, diversification or a spread of interest with the minimum risk, and secondly, the services of professional investment managers to look after his investment affairs for him.

Not that the advantages of Unit Trust investment are limited only to the smallest investor. Unit Trusts are an ideal vehicle for Company Funds in the cases where managements cannot take their minds off normal business in order to devote the time to investment supervision which is necessary.

Many Unit Trusts run Savings Schemes in factories and in offices. Some of the leading British Companies are associated with these new developments.

This is a good sign. For the first time, workers are given the opportunity to participate in the fortunes of British industry and to bear its risks with full and effective safeguards. Who can doubt that such investment will play a large part in diminishing the artificial barrier in conflict between the worker and management?

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Is Convertibility Really Necessary?

BY EDWARD HOLLOWAY

THE step taken by the Government at the close of 1958 in abolishing the distinction between American Account Sterling and Transferable Sterling was described by the Chancellor of the Exchequer as 'a perfectly logical step in the continuing development of the United Kingdom's external economic policy'. He went on to state that the aim of all political parties since the war has been to facilitate the flow of trade and payments, and that this further move towards convertibility would help with that objective.

There remains, of course, security sterling, which arises from the purchase and sale of sterling securities and is held by residents within the sterling area, and it is this form of sterling which still remains non-convertible. It has been announced over and over again by governments since the war that full convertibility is the ultimate aim, and there is no reason to think that either of the major parties intends to depart from this as a major object of policy. There are, however, wide differences of opinion on the timing and conditions which make convertibility possible.

Mr Gaitskell said in the House recently 'we have some serious criticisms to make on the decisions about convertibility', and later, in the same speech, he spoke of the 'greater vulnerability which springs from what has been done' and went on to declare 'we are absolutely opposed to any further measures of decontrol in this field'. No doubt the Labour Party are influenced in their approach to this problem by the events in July

and August, 1947, when for 30 days the £ sterling was made fully convertible with disastrous results to our economy. There is little doubt that subsequent devaluation of the £ largely resulted from this action.

Real Implications

The fact that convertibility was attempted in the conditions ruling in 1947 only goes to prove how little the real implications of full convertibility of currencies were understood by our leaders at that time.

There are still many misconceptions arising from a wrong approach to problems of trade and international finance. It should be recognised that complete convertibility of currencies is possible when trade between the countries concerned is in a healthy and balanced position. Convertibility is certainly *not* something that can be imposed when unbalanced conditions obtained, and this was clearly demonstrated in 1947.

The declared objective of both political parties is, therefore, dependent not upon the desires of politicians, but upon conditions existing which make convertibility possible. To attempt to impose convertibility in a situation of acute unbalance such as existed in 1947 would only result in a repetition of that disaster.

Growing Strength of Sterling

How strong is sterling today? According to the *New York Journal of Commerce*, 'Sterling has passed the first test of convertibility successfully'. This journal goes on to comment: 'Some of the strength of the pound can be traced to that intangible

From *Machinery Market*, March 5, 1959

but nevertheless highly effective element known as "Confidence".

Here we come to the crux of the matter. This factor of 'confidence' is highly illusive. What makes the foreigner more or less confident in the £ sterling? It is his assessment of our ability to expand without inflation; to maintain the £ sterling as a stable purchasing unit; and to deal satisfactorily with our balance of payments problem. The fact that, at the moment, we appear to be dealing with these problems reasonably well accounts for much of the improvement. The cost of living, as measured by the official index of retail prices, has now been stable for three months.

There has been a marked change in the international status of sterling in relation to the U.S. dollar. This has resulted in one commentator in U.S.A., Mr Frank Pick, predicting that in coming months, 'London will recover its old position of world banking centre from New York'. At one time, nationals of other countries would have seized any opportunity of converting holdings of sterling into dollars, which they would have considered as giving greater security as well as the opportunity to make dollar purchases.

With the advent of a greater degree of convertibility, had this desire to obtain dollars for sterling persisted, there would have been a run on the £. The Government is to be congratulated, therefore, on its sense of timing in that this did not happen. The real test would come, however, if full convertibility were to be attempted.

Balance of Payments

The basic factor remains. Unless reasonable stability internally and in international trade is maintained, the situation could deteriorate and ster-

ling would again be under pressure. This could result from mistaken internal policies, such as allowing inflation to again get out of hand; a spate of serious strikes; increased threats of nationalisation—factors which are within our own competence to control. It could also result from circumstances outside our immediate control in our balance of payments position—and here lies a real danger.

In the matter of our balance of payments, it must be borne in mind that payments made from one country to another can only be made in the final analysis by the transfer of goods or the supply of services. A British importer uses sterling to pay for goods imported. If he imports from the U.S.A. for example, the U.S.A. exporter wants dollars and he can only obtain these if another transaction takes place which makes it possible to exchange the two currencies. The same is true whether trade is on a bi-lateral or multi-lateral basis. In the final analysis the books will only balance if goods and/or services to equal value have crossed the frontiers.

Trading for 'Favourable' Balances

Unfortunately, this fundamental proposition has, to some extent, been lost sight of. Nations concentrate on exports, not only to pay their just debts and to pay for necessary imports but also to maintain full employment in their own countries. The idea of a 'favourable' balance of trade being the aim and object of the exercise, meaning that a nation exports more than it imports is responsible for much that goes wrong in our trade relations. The obvious result of seeking a 'favourable' trade balance is that if one nation succeeds and builds up a

creditor position, then other nations fail and become debtors.

Equal Pressure

One of the significant factors in Keynes' Plan put forward for consideration at the Bretton Woods Conference in 1944 was that he proposed that equal pressure should be brought to bear on both creditor and debtor nations to maintain equilibrium. This eminently sane and reasonable proposal was not then accepted. Instead, we had the Bretton Woods Agreement based largely upon the American White Plan. This had no such provision, and consequently, in the post-war period, while every pressure is brought upon the debtor nations to pay, they are asked to do the impossible unless the creditor nation will accept payment. Thus a debtor nation is placed in an intolerable position, and hence we get the fight for markets, subsidising of exports and the strains and stresses which, inevitably, arise in unbalanced international trade.

It is here that we might come unstuck through no fault of our own. It

is this problem that we must deal with before we attempt full convertibility. The increasing strength of sterling gives us a great opportunity to put right the mistake we made in allowing the Keynes' plan to be overruled. Once we had established that not only must a debtor nation pay, but equally that a creditor nation must accept payment, the continued unbalance in world trade would tend to disappear, and a future threat to Britain's balance of payments position would be within our own competence and a major cause of friction would have been removed.

The problem then is firstly, to ensure the establishment of stability in the purchasing power of the £ sterling internally, and secondly, to establish a pattern of balanced and mutually beneficial trade between the nations. Full convertibility would follow as a by-product of these conditions and would be a sign of increasing health and stability, and thus we would have achieved the object of all political parties since the war—to facilitate the flow of trade and payments.

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Readers' Commentary

'THE NEW FRANCE'

FROM P. J., NASSAU, BAHAMAS.

IN the dispatch printed in your February issue Mr Robert Sencourt erred in suggesting that the two Napoleons dreamed of the unity of Europe in anything like the form in which we are trying to achieve it today.

Napoleon I envisaged European unity as the domination of himself and his family: whereas there is nothing to establish that Napoleon III ever had anything but a lot of vague ideas; nor is there much to indicate that these ideas, if they existed,

embraced a unified Europe. It was Castlereagh who in 1815 first tried to bring about the co-operation of the principal European states through a permanent system of meetings of Foreign Ministers and their Sovereigns. Not for the last time the British Government shied away, frightened by attempts to turn the treaty into an instrument of reaction. Otherwise, many post-World War innovations might have been facts a century ago and the world today a very different place.

BRITAIN'S ECONOMIC POLICY

FROM E. M. WALKER, ROSE HILL TANNERY, BOLTON, LANCs.

To defend Britain our economic policy will have to come on to the framework of a long-term plan. Within the plan there must be means for maintaining the free spirit of competition and reward. The world is now smaller by reason of speedier communications. The economic war is as severe today as was the physical war. United, we shall stand—divided, with its waste of manpower and capital, we shall lose the race. New

thinking is required—for Lancashire now in its serious distress, and for Britain's future.

Senior Management's paramount duty today is to thoroughly train its young men. I believe, if we can shake off our insular and outmoded practices—whilst respecting our national tradition—the younger generation of Britons will rise to it and astonish us by their *achievements* . . . and *Commonwealth development will go ahead*.

THE CASE FOR GOLD REVALUATION

FROM M. E. CONSTANTACATOS, 17 SINA ST., ATHENS.

I READ in the ECONOMIC DIGEST for December 1958, that Australia has rejected a report by officials of the International Monetary Fund that there is no proven case to justify an increase in the price of gold.

I have been distributing my *Money and Credit*, Vol. I, since the summer months of 1953 but so far none of the financial experts either in the

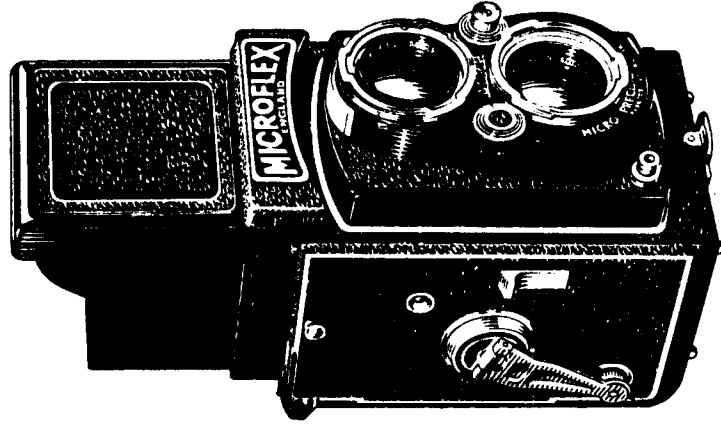
United States or elsewhere has attempted to impugn my gold theorem and to disprove my thesis that the revaluation of gold is bound to prove unavoidable. It seems that all of them agree with my proof but do not admit the truth because of their dislike of the Rule of Law and their predilection for arbitrary power.

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