

The Theory of Public Finance: A Study in Public Economy, by Richard A. Musgrave. (McGraw-Hill Book Co.; 97s.)

The author is Professor of Economics in the University of Michigan. In this volume he presents a comprehensive treatment of fiscal theory in modern economics, the basic theme being to integrate the classical with the Keynesian aspects of the problem.

AFRICAN CONTRASTS

Central African Witness, by Cyril Dunn. (Gollancz; 21s.)

The Africa of Today and Tomorrow: A Continent on the Move. (The Royal African Society, April 1959; 5s.)

The cheaper of these two books is the better. Mr. Cyril Dunn might have used the four years 1954-58, during which he was *The Observer's* African Correspondent to have gained a more balanced view of Central African problems. His ideas and conclusions are admirable; but in his presentation of his facts he shows signs of the mental colour bar in reverse.

The lectures given during the two day course held at the Livery Hall, Guildhall, on the 28th-29th January, 1959, are by contrast scrupulously fair, even to *apartheid*, the case for which is argued by Mr. Nelson E. Mustoe, a South African Q.C. Now particularly valuable is Mr. F. J. Pedler's elucidation of some of the complex policies and movements in French Africa.

★ 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).

P.E.P.

Agricultural policies in Western Europe. Occasional Paper No. 3. P.E.P.; 3s. 6d. (1980)

E.C.S.C.

Seventh General Report on the Activities of European Coal and Steel Community. Feb. 1959. (1081)

U.S.S.R.

Great Plan of the Soviet Union. Soviet Booklet No. 49.

Target figures for the economic development of the U.S.S.R. from 1959 to 1965. (1082)

O.E.E.C.

Economic Condition in Member Countries and Associated Countries of the O.E.E.C.

Spain: Examines trend of Spanish economy of last five years. (1083)

Turkey: Covers 18 months period to end of 1958. (1084)

European Productivity. No. 31.

Feb. 1959. *European Productivity Agency of the O.E.E.C.* (1085)

The Work of the O.E.E.C.

A report by the Secretary-General. April 1959. (1086)

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Count Coudenhove-Kalergi

President of the Pan-European Movement

"THE resuscitation of the Pan-European idea is largely identified with Count Coudenhove-Kalergi." Sir Winston Churchill, who wrote this, had recognized his genius a score of years before the post-war European Movement, Council of Europe and the rest. "The form of his theme," Sir Winston went on, "may be crude, erroneous and impracticable but the impulse and the inspiration are true."

Born in 1894 to an Austro-Hungarian scholar-diplomat who represented his Emperor in Tokyo and married a lovely Japanese, Richard Coudenhove-Kalergi might have carved an Imperial career. Coudenhove descended from Charlemagne and were Crusaders; the Kalergi saga centres on Crete. Coudenhoves were conservative; Kalergi's fighters for libertarian causes; the clan was not only Catholic but cosmopolitan. But war and Wilson shattered the Hapsburg version of "Pan-Europe" and Coudenhove, who had drunk deep of history and philosophy, realizing the limitations of the League of Nations, saw and communicated to thousands the vision of a union which could end old and forestall new quarrels, uphold the civilization of Europe, rooted in ancient faith and the Rights of Man, and match the giant combinations of power the twentieth century had spawned.

* *From War to Peace, by Richard Coudenhove-Kalergi. Translated from the German by Constantine FitzGibbon. Jonathan Cape, 18s.*

With fine eloquence, burning zeal, persuasive charm, patient organization, Coudenhove won the support of Briand and Chancellor Stresemann. In 1930 when Briand was launching his scheme for a European confederation Coudenhove was holding a Pan-European Congress in Berlin. Mr. Leo Amery attended and asserted Britain's inability to join a federal union however close might be her association with Continental Europe.

London cold shouldered Briand's plan. He died in 1932. That year Amery carried the message of Ottawa and the British Commonwealth method of free co-operation to Coudenhove's Congress at Basle. In 1933 Hitler's *Reich* became the basis of another kind of European New Order. Coudenhove narrowly escaped Nazi persecution and carried valiantly on in Switzerland, France and America.

He has never given up or given in. The war ended. "Let Europe arise!" Churchill urged at Zurich in 1946 and paid proper tribute in his speech to Coudenhove-Kalergi as to Briand. The vision began to become actual.

Not that Coudenhove's brilliant and creative thought is confined to a continent. His contributions on the Cyprus question and the German problem are prescient and masterly. The story of himself and the movement

continued at foot of page 231

Space Future

for British Commonwealth, French Community —for Europe?

by JOHN PENTON

The French Space Committee has a programme accepted in principle by M. Debré's government and costing 25 milliards of francs. It would cover the improvement of existing rockets and their use for exploration of the lower and upper atmosphere. A vehicle to carry an artificial satellite is also projected. The idea is that such research centres at Vernon, Saint-Louis and Colomb-Bechar in Algeria should work in harness with the French Astronomical Society, private firms and the National Observatory and Scientific Research Centre.

Thus Le Monde of June 30th. In a leading article in that issue, Frank Bauer pleaded for a European space programme able to catch up, and compete with, the Americans and Russians and spoke of co-operation with England. He called for a Government initiative with all the authority of General de Gaulle.

Mr. John Penton, President of the Economic Research Council, who had a distinguished career in H.B.M. Treasury and with international organizations, and worked during the war with the Free French, writes from Paris:—

SOVIET and American scientists of both countries are now saying openly that within quite a short time human beings will begin experimental space travel. There is now competition between the Americans and the Russians to be first to land a rocket on the moon probably next year.

the other, have become almost the exclusive domain of the two biggest powers. Great Britain has indeed produced the Blue Streak and Black Knight missiles, but the cost of creating a serious rival to the American and Russian space programmes will be so great as to be almost beyond the resources of one country with its population of about fifty million people, especially if the cost of the Welfare State, defence and other things continue to run at the present level. To do it by ourselves would put a huge strain on our resources, and so it appears that the British Government would prefer co-operation with the Americans and

Titans

During the last war, as the British people have cause to remember, to their cost, the Germans pushed ahead with rocket development, but at the present time intercontinental rockets for military purposes and space exploration, the one entwined with

to have their rockets carry some of our instruments.

The Rest

For a country of the size of France the cost is almost prohibitive and even if the programme is successful on a limited scale, as we cannot doubt it will be in a country with her tradition of scientific achievement, it will be very difficult to carry it to the point where French rockets rival those of Russia and America. As for the smaller powers such as Scandinavia, Holland and Belgium with populations as highly skilled as any in the world, it is hard to see how they could even begin to compete in this sphere.

Shall we then in the fairly near future no longer speak of developed and undeveloped countries, corresponding roughly to white and coloured, but of several categories of states corresponding to various degrees of scientific knowledge and achievement, with the two super powers far ahead of Western Europe? Such a situation will be all the more unhealthy because just as the gap in technical knowledge is even now widening rather than narrowing between Asia and Africa and the rest of the world, so in future the gap in technical knowledge in the sphere of rockets and space research will almost certainly grow greater between Russia and America on the one hand and Western Europe on the other. It is not difficult to imagine this process reaching the point where the overwhelming preponderance of the two great powers would revolutionise

present world groupings and make nonsense of such institutions as N.A.T.O. and the Commonwealth.

Commonwealth and Europe

One means to avoid such a disaster would be a co-operative effort undertaken by the nations of Western Europe and the overseas Commonwealth, notably Canada and India. Australia has already provided one Commonwealth proving ground and the others could be equipped in British or French Africa. In this way even the least industrially developed lands in the Commonwealth and French Community could feel that they were making a contribution to a programme for the benefit of all mankind.

This programme should capture their imagination and provide a common aim for the people of the Commonwealth and the Community; it would also provide a focus for European unity and a practical demonstration of its advantages. Who can doubt success if most Western European countries as represented at O.E.E.C. or in N.A.T.O., together with their overseas associates, pool their energy and their knowledge? The association need not moreover be exclusive, nor need it preclude at some stage or other co-operation with one or eventually both of the present spatial powers, for we need to change our thinking and in particular to realise that our petty political struggles, when viewed against the immensity of space, are unworthy and insignificant.

Summary of Economic Conditions in Britain

investment demand). Steel output is rising, but the demand for coal shows no recovery as yet.

Recovery abroad

Recovery is now under way in western Europe as well as the United States. The exports of primary producing countries have stopped falling, but have not yet started to rise. The increase in British exports—judging from April/May figures—has been largely to industrial countries. Cars, capital goods, and chemicals account for the rise. Practically all the increase in car sales was to North America, which has been taking nearly half as many cars as the total British home market.

Imports in the first half-year were 6-7 per cent higher than a year earlier; about half of this is due to the ending of de-stocking, half to higher consumption. By commodity, oil accounts for roughly half the rise. There were also appreciable increases in imports of food and finished manufactures.

In general, the balance of payments outlook for the whole sterling area remains favourable. The third quarter seasonal deterioration may not be severe this year. The overseas sterling area's export earnings should be on an upward trend; and Britain's non-sterling exports, which do not drop much in the third quarter, are a larger part of the total than they were.

Recovery at home

THE pace of recovery is faster than expected. Industrial production is rising rapidly; by May it was 5 per cent above the middle of last year. Unemployment is back to the June 1958 level, but employment is not; it has risen much less rapidly than production, and so output per man, particularly in manufacturing, has gone up sharply. Since wages have been comparatively stable in 1959, labour costs per unit of output in manufacturing must now be falling, leaving room for higher profits or lower prices.

The main forces behind the rise have been higher consumer spending, (accompanied by a renewed spurt in consumer debt) and, more recently, a sharp and unexpected rise in exports. Other types of spending have not changed much.

The rise in consumer spending should continue, since the full effects of the Budget have yet to be seen. Although fixed investment appears not to have risen in the first quarter, it is still expected to rise during the year. The increase in public investment has been slow in getting under way but new housing is picking up sharply.

The recovery has been marked in vehicles, electrical engineering, and building, and modest in textiles and clothing. It has not yet spread to shipbuilding or mechanical engineering (which is heavily dependent on

from *National Institute Economic Review*, July 1959.

Free Trade Association

Extract from a Statement by the Chancellor of the Exchequer, Hansard, 23rd July 1959.

THE Paymaster-General and I attended a meeting at Stockholm on 20th and 21st July to which, together with Austrian, Danish, Norwegian, Portuguese and Swiss Ministers, we had been invited by the Swedish Government. As the House knows, this meeting was called to consider whether these seven countries should set up a Free Trade Association among themselves. The object of such an association would be to create a single market of nearly 90 million people by abolishing tariffs and other barriers to trade. Our partners in this group enjoy a high standard of living. Their imports amount to over £3,000 million a year. Freedom of trade within this group must help us all to increase our production, raise our standard of living and maintain full employment.

We decided unanimously at the Stockholm meeting to recommend to our Governments that such an Association should be created. A Convention is to be drafted, and we hope that this will be ready for submission to Governments by the end of October. We aim to establish the new Association in time for the first tariff reduction to take place on 1st July, 1960.

Agriculture

It was agreed that there should be a special agreement on agriculture, setting out the agreed objectives on agriculture and food policy, providing

for consultation where appropriate, and designed to facilitate expansion of trade between members, having regard to the need to achieve a sufficient degree of reciprocity between them. This objective is satisfied in the case of the United Kingdom by the terms of the bilateral agreement which we have made with Denmark.

There will be further discussions on fish and fish products. The draft plan sets out in detail the proposals made by the Norwegian Government and the position taken by other delegations to them. The United Kingdom made clear that it could not contemplate removing the tariff on fresh or frozen fish. But we said that if there were an agreement on fish generally satisfactory to us we would be prepared to treat preserved and processed fish—broadly, canned fish and fish meal—as industrial products.

The purposes of Her Majesty's Government in taking part in this decision to set up a European Free Trade Association were broadly two. In the first place, these arrangements will be advantageous in their own right to the United Kingdom and to all the other members. The Ministers meeting at Stockholm were unanimous in their conviction on this. Secondly, we, and all the other Governments, believe that this is the best way to advance towards a single European market, free of tariffs and other restrictions.

Europe-wide Agreement

We have repeatedly indicated the importance we all attach to a Europe-wide agreement for freer trade. The detailed arrangements have been shaped to facilitate subsequent negotiations with our partners in O.E.E.C. both the members of the European Economic Community and those who are members neither of the Community nor of the new Association. We have made arrangements for the question of relations with other members of O.E.E.C. to be kept under continuous review; we have each of us indicated our desire to

accredit representatives to the Community.

On many occasions, this House has indicated the widespread support there is for trading and economic arrangements which will embrace the Six and all other members of O.E.E.C. I can assure the House that all the Governments with whom we have been negotiating at Stockholm hold this view no less strongly.

I am confident that this agreement to Stockholm this week will prove to be a historic step forward in European economic co-operations, both in its immediate purposes and in the prospects it opens for the future.

Prices In Some European Countries

	Austria	Belgium	France	Great Britain	Holland	Italy	Switzerland	W. Germany
1948	329	380	1,500	140	205	4,300	163	158
1949	403	368	1,750	144	218	4,350	161	168
1950	462	364	1,935	148	239	4,290	159	158
1951	589	396	2,263	162	261	4,705	166	169
1952	689	400	2,530	177	263	4,905	171	173
1953	664	400	2,500	182	263	5,000	169	169
1954	681	404	2,493	186	273	5,135	171	169
1955	698	404	2,520	192	279	5,280	172	173
1956	718	416	2,570	204	284	5,540	175	178
1957	747	428	2,650	210	300	5,650	178	181
1958	755	432	3,030	217	305	5,680	181	186
		(1-11)	(1-10)	(1-11)	(1-11)	(1-10)	(1-11)	(1-10)

1938 = 100

Sources:
Austria: Monthly reviews of the Österreichisches Institut für Wirtschaftsforschung.

Other Countries:

Statistical Yearbook, Cost of Living
(These index figures correspond approximately to the Austrian price index and the Austrian cost-of-living index).

from Progress, *The Magazine of Unilever*, Spring 1959

continued from page 226

"is gradually developing into a British-Indian Commonwealth", a precious bridge between East and West, to which his Continent should one day be linked for "peace and co-prosperity".

Commonwealth Survey

(1) AN AFRICAN PLAN FOR AN EVOLVING AFRICA

by EDWARD JEAL—Johannesburg

STRATEGICALLY Africa has become the key to the world. Economically, it is an important supply area; and vast capital has been invested in Southern Africa, especially in the Union, but also in the Federation of Rhodesia and Nyasaland. No region of the world can advance without capital, which must, in Africa, come largely from outside (though dearer gold would enormously strengthen the Union in Africa financing).

Attraction Southward

Many people assume that only the Black man is an African, but do not go on to admit the consequences of such assumption, were the White man to be chased out or called away to satisfy liberal sentiment overseas.

To displace the Europeans and Asians would not benefit the Black man. Nor need peoples' ethnic origins be in a country or continent for that to be home to them. The parts of Africa which have advanced are those in which the White populations, numbering under five million, have been concentrated, especially the Union of South Africa, the home of more than half of them, and Southern Rhodesia.

There is, moreover, an ever flowing stream of Blacks across the Limpopo and the Zambesi, southwards into the Union, in order to work and live

where European civilisation has opened up greater possibilities. Men may be 'freer' to the north, whatever that may, in substance, mean, be it independence, as in Ghana, or Colonial Office tutelage, as in Kenya; but in the Union they can earn far more, in a job or as businessmen on their own, and are more firmly governed. They buy nearly 40% of the consumer goods and enjoy over 25% of the national income, though only a minority of them inhabit the urban areas where most of the spending is done. Without the gold mines, life would be even more drab in many a kraal, for millions are sent or taken back by those who work for a time in the towns, well treated and well paid—and the number coming forward for such work increases.

Without doubt the Black man is vastly better off under inter-racial co-operation than he could be under isolation and his situation is improving continuously. But money and material progress are not everything. There is such a thing as incipient racial culture and racial aspiration. Progress hereunder would necessarily be much slower but would be more naturally assured with better long term effects for a great many. So support for *Apartheid* could be found among Blacks as well as among Whites. The Whites want to continue to follow their own

traditions and civilisation by avoiding any danger of their standard of workmanship and living being undermined. The Black man feels that he cannot, except most selectively, reach the White man's standard quickly enough. Thus, he requires the easement of a lower standard within a society where that lower standard would not rob him of unlimited participation in everything within the State, including self-government, even if, materially, he would be worse off than under tutelage or subjection. He would be master in his own house, however modest the house might be.

On the other hand, many Blacks, probably most in the Union, would prefer not to live under a dispensation of their own people, usually tyrannous and certainly of low efficiency. At the same time, restriction of immigration keeps the White labour efficiency level rather low, at rather high wages, and employers increasingly seek to get restrictions on employment of Blacks lifted, at least gradually. Not only is this in the interest of lower costs under better organisation, but in that of a wider sales market. Where the Black man is eager to advance, he can become an excellent worker.

Behind the Times

In the Union, including South West Africa, the High Commission Territories and the Federation of Rhodesia and Nyasaland, are vast tracts in which White penetration has been negligible in terms of mining and farming exploitation, and

even, general trading is very limited. The people are far removed from the currents of western affairs, knowing of these mainly through the Administration and Missions. Many of them desire no change. Even in the Union itself there are the Native Reserves and the same is generally true of Basutoland and Bechuanaland, and it is possible that in such areas scope might be given to the Bantu to develop apart.

In the same way, in the townships of the advanced urban areas, Native people desire, and should have, their own residential and social life, especially where they are of recent urbanisation, still not adjusted to European life. Among those who are thoroughly adjusted are men who can assume, under guidance, municipal responsibilities, and these are already being contered on them. They will increase as well the provision of better suburbs for the better off as the Bantu 'middle class' (shocking term in a 'new' classless country) emerges. This is composed of people who are still far from the Whites in mode of being and thought. They will only require their own life and conditions, though they will increasingly mix in their work and in matters of national importance calling for conference and consultation.

Parallel Development

Here, then, we have the seeds of a logical and harmonious inter-racial system in Southern Africa—a system of Parallel Development in a single State and an Economy which, though

unitary, permitted Native peoples in certain parts to conduct businesses exclusively, though they could be aided if they wished. There would be no exclusion of non-Whites from the mixed area. The central power would remain with the Whites for the present under a system of group franchise and this would apply, to some extent, in the mixed areas in area administration. There would be representation for all and Native control, subject to guidance, in the strictly Native areas and Native townships everywhere.

A system of this kind would have to be worked out for Africa, in Africa itself, by inter-racial consultation. It

must, above all, be free from dictation from outside. Africa is sick of gratuitous advice, which has done much of late to alienate White sentiment from the United Kingdom. In Southern Africa the republican appeal gets stronger and the new regional State would probably be republican within the Commonwealth. It would, however, probably not be long before adjacent regions would seek admittance. Liaison with the Commonwealth countries would be favoured. That might lead to complete severance of old ties, but certainly not of old friendships which would, on the contrary, get firmer.

(2) GOVERNMENT BANK CHANGES IN AUSTRALIA

CHANGES in the Australian Commonwealth group of banking institutions which will result when the new legislation recently passed by Federal Parliament is proclaimed later this year, are expected to give further impetus to development of trade and industry.

The changes provide for:—

The separation of the central bank from the present Commonwealth group of banking institutions and its reconstitution, together with the Rural Credits Department of the Commonwealth Bank, as the Reserve Bank of Australia. The Reserve Bank will function only as a central bank and will not be responsible for the administration of the retail banking business carried on by the Commonwealth Trading Bank, the Commonwealth Savings Bank, and the Mortgage Bank and Industrial

from *Australian Finance and Commerce Newsletter*, July 8th, 1959

finance on reasonable and suitable terms and conditions.

The replacement of the special accounts system with a system of statutory reserve deposits.

The new system in the latter proposal is one of the important central bank controls which the new legislation empowers the Reserve Bank to exercise over the country's banking system.

American Empire

THE Hawaiian island of Niihau wants no parts of statehood. Its residents, the only exclusively pure-blood Hawaiians in the big archipelago, voted 70 to 18 against it.

The Niihauans thus took their place with other notable dissidents of American history, among them the Tories of the Revolution and the many in New England who dragged their feet during the War of 1812.

The Tories and the 1812 dissenters came around eventually. So will, undoubtedly, the Niihauans. They will find, as have the wary of democracy throughout our history, that they have gained much and lost nothing whatsoever.

In Mississippi, the *Jackson Clarion-Ledger and Daily News* recently looked to the Choctaw Indians, whose reservation is there, for an answer. A missionary called the Choctaws the most poverty-stricken group in the nation. The only serious challenge we can think of to that statement might come from those who would claim that the distinction belongs to some other reservation tribe. This condition has been developed under generation after generation of management of economic affairs by federal "experts". It is to such management as this that the welfare enthusiasts want to turn over the entire American economy.

from *Long Island Press*, July 1st, 1959

THE UNCERTAIN ALLY

by

John Biggs-Davison, M.P.

With a foreword by Henry Drummond-Wolff

15/-

This study briefly reviews certain vital aspects of world history from 1917 to 1957

Christopher Johnson Publishers Ltd.

The Meaning of Real Convertibility

MYTH AND REALITY IN THE INTERNATIONAL RESERVE SITUATION

By our New York Correspondent

A FEW years back the *Economist* wrote: "It is difficult to write about Convertibility as no one really knows what it means!" Since then the situation has cleared and even if we do not all agree that it means the same thing, we can identify the different meanings.

Firstly the sophistical: Convertibility means the convertibility of Sterling Currency into Dollar goods. This is the view taken by many Canadians and U.S. businessmen (see e.g. The First National City Bank's Monthly Letter, December '58). If Canadians were to so something about supporting sterling e.g. by holding it as a reserve, even in small quantities, one could understand this, but they don't: they continue to boycott it like their more powerful neighbour.

Secondly, there is the neo-classical, old fashioned definition employed by, indeed for the past 15 years, plugged by, the official international economists (particularly the International Monetary Fund) and the United States Treasury. This view is that convertibility means the conversion of bad money, like Sterling, Francs, Pesos etc. into good money: Gold or Dollars.

False Doctrine

This is the fundamental doctrine of Bretton Woods and the basis of

• See also Professor Triffin: Europe and the Money Muddle. It is Prof. Triffin who is muddled!

American (and in so far as they have been able to enforce it) Free World international economic policy since 1944. This principle of forcing "soft" currencies through the exchanges is now Holy Writ in Washington, in the European Monetary Agreement and, with the advent of M. Rueff, in Paris*. It helped wreck the international economy between the wars and is in stark contrast to the pre-1914 sterling system which nursed weak currencies. It is based on a fundamental false premise: a wrong conception of money. It is the 100% intrinsic value idea of money which came into vogue with the French Revolution—intrinsic value it may be said *à l'outrance*: death or elimination of all inferior monies. It is totalitarian, centralising, undemocratic idea.

For instance, the International Monetary Fund loans "good" money and must receive it back: hence the clauses stipulating that loans in "soft" currencies must be repaid in gold or dollars, and the boycott of other currencies by the United States operated by refusing to hold them or include them in its reserves.

Confusion

It is an absolute error because in so far as these currencies can be used to obtain goods and services they have purchasing power and hence value.

It leads to the Fund's fundamental confusion of thought (over and above the fact that it is not a Fund but a Pool) namely that anyone supplied with a foreign currency is called a "debtor" whereas all that has occurred has been an exchange of assets—his own currency, already paid into the Pool, for someone else's. This "purchase" of foreign currency (to use the Fund's term) can in no sense be considered a debt. It is as if a department store having sold goods to a customer and been paid for them, the said customer was its debtor.

It has several other disintegrating as opposed to integrating, effects:

1. The provision that when its holding of a currency has been exhausted the Fund must sell gold (rather than other foreign currencies) to that country in order to replenish its holdings of the currency. This means, in practice, that other people's gold is used to finance U.S. exports. The U.S., already the world's largest holder of gold, could be on the way to capture the world's gold stock. Although it is officially denied this could ever happen, it has already started. In 1956—57 the Fund sold \$800,000,000 worth of gold to the U.S. to replenish its dollar holdings of which \$200,000,000 is to be used to buy U.S. Treasury bills "for income". But no sterling bills were bought by the Fund "for income" in 1957 at 6½%.

2. It leads to the contradictory practice of countries short of gold paying this in to the Pool.

3. As no unilateral concessions have

been made by the U.S. to reduce the dollar gap this increase in the Fund's resources will merely perpetuate it in a large form.

4. Most important of all, this idea of intrinsic value leads to the forcing of weaker currencies through the exchanges, ending inevitably in deflation, devaluation or default, or elimination of assets, leading to political upheaval.

I.M.F. retards Development

This was the doctrine first enunciated by Secretary of State Mellon in his letter to the President of the U.S. Chamber of Commerce (Jan. 28th, 1920): "The remedy is not to manufacture bank credit but lies in the movement of goods, and if not of goods, securities or gold to this country". This led directly to the current I.M.F. doctrine—despite all the evidence to the contrary—that every balance of payments deficit is necessarily caused by "inflation" (manufacture of bank credit). Hence the Fund, cutting back on industrial development in the "underdeveloped" countries has engendered a permanent conflict between itself and them.

Finally, and most important, it leads to the rejection of the idea of the Interdependence of the World Economy and the Keynesian idea for adjustment by expansion of the creditor economy as opposed to "deflating" debtors.

The Dollar remains therefore, due to this curious idea of convertibility, a strongly international deflationary influence drawing off and living on, to

a certain extent, the purchasing power of other nations.

Is there, despite the *Economist*, a more satisfactory definition of Convertibility? If we consider the matter in its broadest sense we may say Convertibility means Monetary Co-operation. Before 1914 days the highest form of convertibility ever known was achieved under the Sterling system. It was achieved by monetary co-operation.

If we take Marshall's definition of money, "Money is purchasing Power", the basic idea in the 19th Century was that England's exports depended on the solvency and prosperity of the rest of the world, whose purchasing power should be nursed, not oppressed. This particularly applied to the debtor nations and is the crux of the international economic problem. The principle was the opposite of forcing them through the exchanges: it was to provide them with enough international purchasing power.

Free Trade was adopted because it mitigated the debt collecting power of the Gold Standard and helped debtor nations earn their requirements. But the secret was the full convertibility via the medium of the sterling Bill of Exchange, itself convertible into Gold. England bought gold from the debtor gold producing nations and gave them convertible Sterling in exchange: Those debtors without gold earned convertible Sterling by export of goods (primarily raw materials) to England, which they converted into Gold to pay for their requirements from

third parties, none of whom wanted "inconvertible" or "soft" as they are called today, currencies. And England ran an overall merchandise trade deficit to keep this system in being by which everyone went forward together.

Thus weak currencies were nursed and fortified and their purchasing power increased: the opposite of the (in the opinion of many) disastrous and oppressive Bretton Woods principles. It was enlightened self interest at its best: as Dr. Schacht in his book *Gold for Europe* puts it, "England put these services at the disposal of her competitors. Who can forget it? The world longs for the restoration of such a system". In the Eyre Crewe memorandum of 1907 it became part of the foreign policy of Britain: to identify the interests of England with the independence and prosperity of smaller nations.

We have defined Convertibility as "Monetary Co-operation" but see now it is something even wider: Financial Interdependence. The Dollar, it is said, must pursue the same policy: as we began with a restricted definition of Convertibility so we can end with one: namely the Dollar—at present the world's most inconvertible currency, due to restrictive policies causing its function as a store of value to conflict with its function as a medium of exchange, legally not convertible into Gold and in practice not into other peoples' currencies or goods, must become fully convertible, like 19th century Sterling. In particular the inconvertibility for residents of their

dollars into imported goods should be abolished soon.

Answers to Communism

The cold fact remains that the Communist bloc's production is increasing faster than that of the "Free" World. One main reason for this is the restrictive U.S. foreign economic policy, which holds back the raising of American living standards too. The solution is to give the rest of the Free World the same chances of expansion and development of their vast resources as have been enjoyed by the U.S. It is plain contradiction to think that the *Free*

World's future lies in Super-Centralisation: it must provide for independent centres of power, of which the foregoing doctrine or real convertibility is a prerequisite.

As a matter of fact, ever since Bretton Woods in 1944 tried to impose Super-Centralisation there has been a move away from it. The Marshall Plan was a first significant step. We cannot stop there. The return of co-operative, interdependent Convertibility is another important step to be taken in strengthening the Free World economy and preventing its relapse into a monolithic system of continental Fascisms opposed to the Communists.



Rural Economy

COMMON MARKET AND EUROPEAN AGRICULTURE

by D. T. HEALEY (Agricultural Economics Research Institute, Oxford)

THE establishment of the Common Market could very likely lead to a gross national product in the Community by 1973-5 half as large again as what it would have been in the absence of the Community. To a considerable extent this greater rate of growth of gross national product will have been brought about through the transference of labour out of agriculture into other sectors of the economy. This removal of surplus labour from the land will have beneficial results in agriculture, too, in that farm consolidation plans can proceed more rapidly. The increasing relative scarcity of labour in the countryside will encourage a greater degree of mechanisation and, generally, more intensive farming. The incentive for higher agricultural output will arise from the rapidly growing domestic market, enhanced in size by the economic effects of the European integration policy.

From the analysis made in this paper, it appears that as we become more optimistic in our estimated figures for GNP the dependence of the Six on imports of non-tropical foodstuffs lessens; this must come about through an increasingly compulsive stimulus being given to domestic agricultural production as real incomes rise. If we assume a decline in the agricultural labour force of one quarter over the period and a 90 per cent increase in GNP,

Summary and Conclusion from an article in the Farm Economist, Vol. IX, No. 4.

net imports into the Six of non-tropical foods will rise to \$6 billion, or 4.5 times their 1953-5 level. This should not, however, be regarded as all pure gain for world exporters, since it is probable that the Six's dependence on outside sources of supply will diminish as agricultural trade between them expands. Net imports of tropical foodstuffs are expected approximately to double.

Two important factors

In all these aims and possible developments, two important factors must be implicitly assumed to underline the analysis. The first, and most important, is the maintenance of full employment in Europe (and, indeed, on a world wide scale) and present developments suggest that urgent attention should be given to the question of stimulating demand: a depressed European economy could prove to be the rock on which all plans for integration would founder.

The second assumption is that capital becomes available for both the industrial and agricultural expansions that are being envisaged. It is in connection with the provisions of capital that the United Kingdom might well find she had a bargaining counter in her negotiations with the Community over the future relationship between the 'Eleven' of Outer Europe and the 'Six'.

Great Britain's long-term political

and economic interests coincide; she requires a socially stable Europe and a Europe whose growing income provides a ready market. If more realistic production patterns in Europe, in industry and agriculture, lead to lower unit costs of production, so much the better for Great Britain as

an importer. Our interests, therefore, lie with our associating ourselves with the activities of the European Investment Bank which has as one of its aims the raising of agricultural productivity; whether short-term political objectives will outweigh the long-term remains to be seen.

The Pope and the Workers

IT must be confessed—and it gives hope of better things for the future—that within recent times in some places the inter-class relationships and discussions are turning out less bitter and less difficult.

In fact, the distinctive marks of the social classes have become less noticeable. The classes themselves have become numerous, since there is no longer a question merely of employer and employed, and they more readily include all citizens. To those who have special training and skill, the opportunity is given to rise also to higher ranks of civil society.

In what particularly concerns the wage-earner, it is consoling to observe that all the steps recently taken to render more human the conditions which are enjoyed by factory workers and those in other fields of labor have this result: These workers have not merely an economic value, but one higher and more in keeping with human life.

A long way to go

And yet there still remains a long

way to go. Since there continue to exist too many differences in material possessions, there are too many causes of enmity between various groups on account of the theory—sometimes defective, sometimes completely unjust—concerning the right of property among those who selfishly desire their own advantage and convenience.

Add to this the dread spectre of unemployment, which fills many with grave anxiety and which, at least today, can produce greater hardships because the task of the worker is frequently handed over to some advance type of machine.

Co-operation urged

Indeed, if we desire and seek—as we all ought to desire and seek—the longed-for mutual union between the social classes, we must do all we can to bring it about, by public and private endeavor and co-operation in courageous undertaking, that all men even of the lowest class, may be able to earn by their toil and the sweat of their brow the necessities of life . . .

An extract from the official English text of Pope John XXIII's first encyclical.

Expansion without Inflation

An economist examines Britain's dilemma and suggests action to regulate price levels

THE generally agreed aim of economic policy is to achieve price stability while at the same time maintaining full employment of resources of both men and materials, coupled with a steady expansion of production leading to rising standards of living. Reference has been made on more than one occasion to the possibility of doubling living standards in Britain within 25 years. Britain's ability to produce wealth makes this aim well within her capacity. Unfortunately, as the economic system has worked, expansion appears synonymous with inflation. Remedial action then has to be taken and this in turn leads to restriction of production and threat of recession. This is the working of the so-called 'trade-cycle'—boom being followed by slump.

Recent experience confirms this. From 1945 to 1956 there was expansion with increasing inflation. It became essential to correct this and recourse was had to the orthodox weapon of increased bank rate. Added to this, a new technique, the credit-squeeze, was imposed. The application of these measures halted the inflationary trend, but did so at the cost of a set-back in production.

The Economic Survey for 1959 says: 'At the end of 1958 there were unused resources available in the economy.' The quarterly *Economic Review* issued by the National Institute of Economic and Social

Research suggests that there was considerable under-employment of resources of both man-power and machines, and similar views were put forward in the *Economic Bulletin* of the London and Cambridge Economic Service.

Underemployed Capacity

It is estimated that reasonable full use of the U.K.'s present productive capacity would yield an increase in production of between 15 and 20 per cent. Taking the economy as a whole, this represents a considerable volume of production. A measure of price stability has therefore been obtained, but this has been at the cost of a degree of economic stagnation. When there is unused capacity it results in producers still further restricting output, which increases the threat of recession.

These are not conditions likely to encourage higher living standards, which can come from one source only, the greater production of wealth. Steps have now been taken to stimulate the economy. While there is complete agreement on the need for these measures, there is no agreement on how much is needed.

Gauging right moment

Stimulating the economy may set off a new inflationary trend unless adequate safeguards exist to prevent this. The new measures whereby the liquidity of the banking system can

from Far East Trade, July 1959

be restricted through a call by the Bank of England for special deposits to be made with them by the banks are an improvement. It will only prove efficacious if the action is taken at the right time and to the right extent. How can this be gauged? It can only be done if the approach to the whole question of money and credit is soundly based on reality.

The role of money in this 'managed currency' era must be re-examined. It will be found that during the last 50 years there has been a major change in the role of money. At the beginning of the century it was still backed by something of intrinsic value—gold. The Central Bank was responsible for ensuring that a banknote of a given denomination could be converted by the bearer into a constant weight of gold. When Britain went off the gold standard this provision no longer applied, and she went on to a 'Managed Currency'. Under this, the regulating mechanism gold, had been removed, but no adequate regulator was introduced to take its place.

To a very large extent we still maintain the illusion that money itself is still of intrinsic value. This false view must give place to the realization that the real backing for money and credit today is the goods and services available for consumption by the community. This fact has been constantly ignored when dealing with the problems of both inflation and deflation.

Between 1938 and 1957 the

amount of money in circulation increased three-and-a-half times. In the same period gross national production increased only by about one-third. The value of the £ deteriorated from 20s. in 1938 to 6s. 9d. in 1957. We now require three £ notes to buy what £1 bought in 1938. A solution to this problem will only be found if we devise some way of relating the amount of money in circulation as purchasing power to the quantity of goods and services available for consumption.

Recent experience has shown that not only the quantity of money, but also the velocity of circulation must be taken into account. It is clear that the turnover of money may vary considerably and that these variations intensify the effect of the quantity of money in either direction. Generally speaking, more money in circulation, if not related to an increase in production, will cause people to spend faster. Less money will reduce the velocity of circulation. Moreover, rising prices cause stockpiling and buying ahead. Falling prices result in running-down of stocks and cancellations of orders.

These fluctuations in the velocity of circulation accentuate inflationary and deflationary trends. If reasonable stability in the economy could be maintained, the velocity of circulation would tend to settle down to an established pattern.

The conclusion to be drawn from the foregoing is that some way is needed to equate the demand for goods and services to the available

General price level

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Velocity of circulation

Between 1938 and 1957 the

supply. It is accepted that the result of having too little money in circulation is a fall in the price level and the appreciation in the value of money. This is clearly indicated by experience in the deflationary era of the 1920s. Recent experience shows that when there is too much money in circulation, prices rise and money deteriorates in value. This surely gives a clue to the most effective regulator—the index of the general price level. This should be based on a very wide selection of goods and services, and if a determined attempt were made to maintain the stability of the price index, tendencies towards both inflation and deflation could largely be eliminated.

There is need for a new authority to be set up to implement this policy (an internal equivalent of the Exchange Equalization Account). This authority would be answerable to Parliament but entirely removed from interference for party political considerations. Its task would be to ensure that the total effective demand for goods and services was maintained at the highest possible level compatible with the stability of the general price level.

Regulating authority

It would, of course, be essential to make available up-to-date statistical information on the availability of man-power, estimates of increase or decrease in production, and the extent of capital investment. These and many other factors would be constantly examined and use made of the very latest electronic computers to provide accurate forecasts on

production and consumption in the light of the trends shown. The overall regulator would be the general price index, and if this rose above a stated level action would be taken to bring it into line, and the same if it fell below the agreed level. The psychological effect of the existence of such an authority would be enormous. Confidence that the authority would correct any fluctuations in the internal value of the £ would do much to establish internal stability, just as the existence of the Exchange Equalization Account has established a degree of external stability which would certainly not have been obtained without prompt action at the right moment.

Given the assurance that internal effective demand would at all times equal the capacity to produce wealth at reasonably stable prices, the tendency would be towards a steadily increasing capacity to greater production. As this increased production became available for consumption, the ability to consume could be stepped up through already accepted methods, reductions in taxation, increases in pensions, national capital investment in roads, railways, and similar projects.

A great deal of difficulty arises through uncertainty. If producers of wealth knew in advance that, provided they produce something that people wanted to buy, they could be reasonably certain of finding a market, their approach would be altered, and many of their current problems removed. This would also have an effect on those who engage in

restrictive practices and other restraints on production, for these would be seen in their true light as hindrances to increased standards of living.

The adoption of the policy outlined would mean that no government would be able in the future to tamper

with money or introduce either inflationary or deflationary policies. Thus a built-in safeguard against subsequent tampering with the value of money would have been established, and we should have replaced the gold standard with a goods or commodity standard for our money.

Inflation : Economic Leprosy

by A. N. SPANEL, Chairman International Latex Corporation

DOMESTICALLY, the purchasing power of the dollar has gone down steadily since 1939. Today, a 1959 dollar buys only half as much, creating poverty and hardship for millions of people, especially those living on pensions, small incomes of a fixed nature, and workers on marginal pay. The 50 cent dollar has compelled many a man to hold down two jobs to make ends meet. For millions of others, inflation has forced the working of wives. Many, fearful of the working of inflation's threat, are bidding up stock prices to dangerous levels. We have indeed reached the tragic point where all too many people believe that to speculate is safe, but to save is to gamble!

Internationally, we see America's saleable exports (other than giveaways) steadily shrinking, the principal cause being that our weakened dollar, with its falling purchasing power, is pricing us out of foreign markets. For we are in competition with the modernized industrial plants of England, West Germany, France, Italy, Belgium and Switzerland, not to mention the Soviet colony-lands. Lack of confidence in an eroded American dollar weakened the more

by government deficit spending is responsible, in large measure, for the current run on American gold by foreign holders. In simplest terms this is "a run on the bank". That bank is our United States of America.

Thinking people everywhere expect a continuance of this drain on our vital gold reserves until we, ourselves, revive and strengthen the dollar... even as our French brothers are doing with their franc... by ending the destructive, inflationary wage-price hikes, simultaneous with putting ourselves back on the road to economic sanity by keeping government spending within the limits of a budget and not on the bankrupting deficit basis that has already created the gravest concern

and loss of confidence among the nations of the free world. Loss of confidence in the currency of the greatest industrial nation on earth, the greatest industrial power in all human history!

What a fantastic contradiction woven of irony and tragedy! Self-deceit and indifference to inflation's threat have created for Americans the deadly fifth column which needs but a little more time to destroy us economically.

Readers' Commentary

TRADE WITH RUSSIA AND CHINA

From: M. A. CAMERON, 45 Chiltern Court, London, N.W.1.

(Mr. Cameron is Vice-Chairman of the Economic Research Council)

COMMANDERS in cold as well as hot war should put themselves in the shoes of the opposing commander. Today, we are often tempted to forget that we are in a cold war, which is exactly what our opponents want us to do. But *they* do not forget; and it is useful to recall what they have said.

China

In 1954, a copy of a memorandum on world revolution by Mao Tse Tung which had been taken to Moscow by Chou En Lai in 1953, reached America and was published. One heading read "World War To Be Temporarily Avoided", because "We have to, until we are certain of victory, take a course which will not lead to war."

The next paragraph is headed "Diplomatic Offensive" and reads:

"The United States must be isolated by all possible means. Britain must be placated by being convinced that there is possibility of settling the major issues between East and West, and that Communist and capitalist countries can live in peace. Opportunities for trade will have a great influence on the British mind."

The memorandum goes on to survey the world, forecasting much that has already happened; for example, forcing the French out of Indo-China "preferably through the

face-saving means of an armistice" and pressure on Indonesia, which was to "fall to the Communist camp as a ripe fruit." The memorandum ends:

"With Asia and Africa disconnected with the capitalist countries in Europe, there will be a total economic collapse in Western Europe. There, capitulation will be a matter of course. In the United States, crushing economic collapse and industrial breakdown will follow the European crisis. Canada and South America will find themselves in the same hopeless and defenceless condition. Twenty years from now, world revolution will be an accomplished fact."

Thus Mao Tse Tung. What price trade with China?

Russia

Now let us put ourselves in Russian shoes. As Russians we shall have been taught for forty years that we are inevitably going to take over the world; that it is our duty and privilege to hasten that course by using every means to destroy those who oppose it; that in this cold war, as in other wars, we must lie, steal and kill, if that takes us nearer the goal of world power. We have been taught this at school, in college, in factories and offices, in all our newspapers and radio.

We shall remember that Lenin himself said:

"When the capitalist world starts to trade with us, on that day they will begin to finance their own destruction."

So when we see Nikita Khrushchov saying (as quoted on page 214 of the July *Economic Digest*) that:

"Foreign trade is the sound and stable foundation on which the peaceful co-existence of states with different social and economic systems can successfully develop . . . extensive development of trade would play a big part in strengthening confidence among the nations, in easing international tension",

we chuckle and murmur "Good old Nikita! Isn't he wonderful? and they *quote* him!"

War through Trade

Rajmohan Gandhi, the Mahatma's grandson, said:

"For Red China, as for Soviet Russia, trade, mutual exchange and cultural contacts are not ends in themselves. They are weapons to capture the nations for the Communist ideology. The word co-existence was coined by the Communists to confuse the free countries and lull them to sleep. Let us be clear. The Communists will use every link we have with them—economic or political—to blackmail us."

Finland's trade with Russia was built up. Then suddenly came demands for changes in the Finnish Cabinet, to make it more "friendly" to Russia. The Finns objected. Russia retaliated by drastic trade cuts. Unemployment grew and the Finnish Government fell. Today, Finland, under a minority Govern-

ment (which still has no Communists in it) is in a very difficult position.

There are many other examples in Harry Welton's *The Third World War* (Pall Mall Press 1959)*.

On visits to Moscow, a Canadian industrialist who has been there, recently said:

"Anyone who does not understand that Russians receive us in a way that will make us believe what they want us to believe is a gullible fool—or, in Lenin's words, a useful idiot".

This industrialist then makes this penetrating comment:

"Anti-Communism is no use because it diverts attention from the urgent need to deal with our own weaknesses."

The Real Battle, and the Answer

That is the basic point. The real battle today is against materialism in all its forms. Communists are better materialists than we are because their materialism is collective, and inspires an unselfish devotion which makes rings round our selfish individualistic materialism.

The real answer today comes when we forget our own needs and set out to meet the needs of others; when we take the absolute standards that have made possible our scientific achievements and apply them to our daily living. If we are really honest about the world situation and our own motives, we shall see what kind of strategic action is needed with the Commonwealth and the rest of the free world to buttress the cause of freedom at this stage in world history. The Communists have a strategy. We must have a better one.

* *Reviewed in this issue.*

THE BID FOR BRITISH TIMKEN

From "Limey", Flushing, N.Y., U.S.A.

THE take over bid (international or domestic) is broadly justified by the fact that the company taken over is not making the best use of its resources. This was true, in City opinion, of British Aluminium, and in the main, of other post-war take over bids. It was otherwise with British Timken. In recent years the firm has prospered, and British Timken has some of the most modern and successful plants in the world. It has succeeded in the export markets and in the largest market, Western Europe, their achievement is outstanding. Inversely, the sales of American Timken in these markets have fallen right off. Why then the take over?

Originally British Timken was wholly owned by American Timken: after the war the U.S. Department of Justice insisted on a separation to comply with anti-trust laws. Since then British Timken has forged ahead. At first, of course, it suffered like all British Industry from lack of modern plant and inability to deliver even though its prices were much lower. American Timken kept the business by holding far larger stocks from which it could give rapid delivery. In fact it betted on this to keep the business, building recently a

huge central warehouse for deliveries by air. (This large stock was made possible of course by the vast demand of the U.S. home market). They went further: they planned to produce a complete line of bearings for European cars, in addition to replacements for U.S. models in Europe which had been the bulk of their business.

But by 1956 it was clear they would be too late: British recovery had proceeded too fast. Modern plant enabled British Timken to deliver rapidly and upwards of 30% more cheaply than the Americans. American Timken exports to Western Europe fell right off, except for a few of the largest special bearings not made in England. The only solution left was to buy back British Timken and divert the export orders to the U.S. plants, as is already done in certain cases, with American subsidiaries in Canada. If this is the reason, it is a dangerous precedent: such policy can affect unfavourably not only the employment situation but also the balance of payments in England and thus once more strain the Free World economy and Anglo-American relations. Furthermore, a strong roller bearing industry is a strategic necessity.

WINE, BEER AND STANDARDS OF MEASUREMENT

from WILLIAM H. GIBSON, O.B.E., D.Sc., B.Sc.(Econ.)

CAPT. EDWIN SHIPLEY is to be commended for his honesty and courage, worthy of one who has held H.M. Commission, in maintaining his opinions in the face of the apparent intention of the British Association

for the Advancement of Science Metric Committee, his employers, to produce, by suppressing inconvenient facts, a report in favour of the adoption of the metric system by the United Kingdom. The nation should be grateful to *Economic Digest* for publishing his article.

The question of weights and measures is primarily a political and economic one so should be understood and decided in a democracy by the general public, not be a committee of experts (appointed by whom?) behind closed doors.

World Record

THE world's total income, measured by the volume of goods and services produced, reached an all-time peak in 1957, with most countries contributing to this record achievement, according to information in the second edition of the United Nations Yearbook of National Accounts Statistics, which contains estimates for eighty-three countries and territories. Global output fell off slightly in 1958, mainly as a result of a three per cent decline in the combined output of the United States and Canada. The gross national product (at constant prices) of Western Europe as a whole increased at an annual rate of nearly five per cent between 1951 and 1957. The corresponding increase on a per

capita basis amounted to about four per cent as a consequence of population growth. Following are figures for individual countries:

	Aggregate	Per Capita
Austria	6.1	5.9
Belgium	2.8	2.1
Denmark	2.5	1.7
France	4.7	3.8
Federal Republic of Germany	7.5	6.5
Ireland	1.5	1.7
Italy	5.5	4.9
Netherlands	5.2	4.1
Norway	3.6	2.5
Sweden	4.6	3.9
Switzerland	4.6	3.5
United Kingdom	2.4	2.3

from *European-Atlantic Review*, Summer 1959.

MONEY - THE DECISIVE FACTOR

BRITAIN'S HANDICAP IN THE ECONOMIC RACE WITH RUSSIA

by DESMOND ALLHUSEN and EDWARD HOLLOWAY

Foreword by SIR ARTHUR BRYANT
Published by CHRISTOPHER JOHNSON

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Digest Reviews

Digest Book of the Month

ECONOMICS FOR PLEASURE by Professor G. L. S. Shackle

Reviewed below by Dr. John Paxton.

C.U.P.; 21s.

Economics for Pleasure, by G. L. S. Shackle. (Cambridge University Press; 21s.)

Everybody nowadays uses economic phraseology. Few people would be willing to define the terms that they use and the fault lies not with the layman but with the professional economists. Nobody is going to call economics an exact science but there are many within the profession who wish to keep it an 'exclusive' one. No greater disservice can be done to a democratic country—an elementary knowledge of economics is essential for any responsible citizen. Doctors encourage the layman to take up elementary medicine i.e. First Aid; they encourage young people to get Advanced levels in Biology and Zoology at school before starting on their medical course but the economists find it difficult to follow this sensible idea. Economics in schools is frowned on—not by the schools but by the Universities (particularly the older ones) and they dictate school policy—immature minds cannot be encouraged to study economics at school but they can use the phraseology!

The position is changing—in fact the tide is coming in fast—Economics in the GCE is increasing at a higher rate than any other subject and the professional economists are beginning to write books suitable for the layman and the schoolboy. Professor Shackle's book is to be welcomed—he is a mathematical economist and has written a first-rate book on Economics "in good plain English without diagrams or mathematics".

THE AMERICAN ECONOMY

The Economics of Freedom. American Capitalism Today, by Massimo Salvadori. (Pall Mall Press; 30s.)

"Inflationary pressures, unbalance between production and consumption, instability, unemployment, and strain are inherent in the American economy as at present organised." Thus writes the author of this interesting study of American capitalism. Mr. Salvadori does not hesitate to criticise, but on balance he finds that "those who form the dynamic core of the American nation have demonstrated their understanding of liberty". The introduction is contributed by Mr. Adolph A. Berle, Jr.

A NEW VISION

The Liberal Future, by Joseph Grimond. (Faber & Faber; 12/6.)

Most people would agree with the leader of the Liberal Party when he writes: "In the next few years a new vision and vitality must invigorate the politics of this country". Can the Liberal Party provide such a dynamic lead for the people of Britain? Mr. Grimond thinks that it can and devotes the pages of this book to a statement of his reasons for holding this view. There is much that is fresh and vital in its pages but to those outside the party it still appears to be a prisoner of its past and recent successes may not have been more than the expression of acute dissatisfaction with the two major parties.

THE SQUARE MILE

Something in the City, by Sir John Benn. (Allen & Unwin; 12/6.)

Writing in a lively and non-technical manner, the author of this book describes life in a City office and Board room and the activities which are undertaken to put money to work. He writes as Chairman of an old-established insurance company and of a unit trust company. It is a very simple exposition and makes no attempt to deal with the technicalities of money creation, indeed, the brief reference to "money as a useful commodity" is somewhat misleading. As a well-known publicist, the author also makes a plea for the City to 'speak up' and make known to the public the many services it renders.

AUTOMATION DIGEST

Automation & Society, edited by Jacobson & Roucek. (Philosophical Library Inc., N.Y.; \$10.)

This publication consists of a collection of the major works in the field of Automation. A sub-title could easily be *Automation Digest*. It is well done but there is no post-1956 information of great value. There is an obvious gap in Automation knowledge on how to keep the purchasing power available so that the Automated goods can be consumed. This problem is generally neatly shelved because it obviously would involve a government agency regulating the flow... and this is an American publication.

FEDERATION FINANCE

The Balance of Payments of Rhodesia and Nyasaland 1945-1959, by A. G. Irvine. (Oxford University Press; 63s.)

The purpose of the balance of payments is to provide a record of a country's economic transactions with other countries. This useful study examines this question as applied to three countries using a common sterling currency. The author, who, as Under Secretary in the Federal Treasury of the Federation, is singularly well qualified to undertake the task, has covered the ground very fully. He reaches the conclusion that "international transactions were the major determinants of the level and rate of expansion of the economic activity in the territories concerned".

ASIA'S SMUTS

Nehru: A Political Biography, by Michael Brecher. (Oxford University Press; 42s. (in U.K. only.))

Like his fellow-Harrowian, Sir Winston Churchill, Jawaharlal Nehru has written his life. A definitive biography is yet to come. Most of Sri Nehru's adult life has been given to politics: it might be thought unnecessary to write a specifically "political" biography. Dr. Brecher has however written a lengthy account of Sri Nehru's times and the nationalist struggle and success; we learn less than one might expect of Nehru the man of many parts and many moods.

It will be hailed as an important work of scholarship; but those who knew the India he describes will not only find inaccuracies—he could not have said that Sir Evan Jenkins, Governor of the Punjab, was "perhaps the only person to sense disaster" during the transfer of power in that Province had he asked responsible police officers or seen their reports—but a failure to understand, and revive for his readers, the spirit and atmosphere of the last years of the Indian Empire.

Dr. Brecher also reveals an old-fashioned anti-colonialism which has led him to write of "Major-General" Shah Nawaz and to underestimate the feeling among Indian officers against those of the "Indian National Army" who turned against and tortured their loyal comrades.

TRADE AND AID

Forty Years of Foreign Trade: a Statistical Handbook with Special Reference to Primary Products and Under-Developed Countries, by P. Lamartine Yates. (George Allen & Unwin; 40s.)

The Great Giveaway: the Realities of Foreign Aid, by Eugene W. Castle. (Life Line Book Club Edition, Washington D.C.; \$1.25.)

Mr. Yates has ably filled a gap he deplores in the information about foreign trade which is so vital to Britain. This is the first detailed analysis of world commerce as it was before the first World War and as it was recently. The philosophy and policies governing international trade are not discussed but much may be learnt about the essentials of various national economies and the development of North America is traced with the relative stagnation of Europe.

Mr. Eugene W. Castle has done us a service by putting down briefly and with lucidity the case of the American citizen and taxpayer who deplores the high United States expenditure on foreign aid. Mr. Castle believes that the Marshall Plan rebuilt "the economic foundations of a careening Western Europe" and would have made no complaint had it ended with the \$18-billion originally proposed to be spent. For our part we acknowledge the generosity and idealism of Americans but the harsh fact is as stated by ex-Secretary Sawyer and quoted by Mr. Castle that "neither individuals nor nations are made

friendly or even grateful by hand-outs". Least of all, he may have added, when the "handouts" are conditional upon limitations of economic sovereignty and therefore political independence.

INITIALS AND NATIONS

N.A.T.O. and the European Union Movement, by M. Margaret Ball. (Published under the auspices of the London Institute of World Affairs by Stevens; 42s. (in U.K.))

The Free Trade Area Negotiations by Miriam Camps. (P.E.P. (Political and Economic Planning) Occasional Papers No. 2, April 6th, 1959; 5s.)

The Uniting of Europe, by Ernst B. Haas. (Stevens & Sons; 50s.)

The Ralph Emerson Professor of Political Science at Wellesley College, Massachusetts, has done her readers the service of setting forth the history and structure of N.A.T.O. and Western European Union, the Council of Europe, O.E.E.C. and the economic organisations of the "Little Six".

She poses the question of a European federation *versus* or in relation to an Atlantic Community. But this is too simple. More in consonance than either with all-European needs is what the French Premier has called a "solidarity" of nations—and not six nations only. The role of the Commonwealth, Sterling Area and other overseas territories is neglected and there is no mention of the Strasbourg Plan.

E.D.C., E.F.T.A., X.Y.Z. What a

mountain of paper and heartbreak of diplomacy and intrigue—and for what? *The Free Trade Area Negotiations* is a competent, well-written historical summary, but by what right does one who is neither British, nor Continental European, but a Research Associate of Princeton University chide the United Kingdom and France for not accepting something which might have started "a process of economic integration"? Miss Camps is precise enough to know the meaning of "integration".

The Uniting of Europe is a valuable survey of the political, social and economic forces at work in the field of European integration since the end of World War II. The author covers the ground very thoroughly and the book will provide a much needed background to developments in Europe at a particularly critical time. It will be essential reading for those who take an intelligent interest in European affairs. This book too is published under the auspices of the London Institute of World Affairs.

FEUDAL SURVIVAL

The Queens' Wards'. Wardship and Marriage under Elizabeth I, by Joel Hurstfield. (Longmans; 42s.)

Detail is half the fascination of history and Mr. Hurstfield, who is a Reader in Modern History in the University of London, has made a scholarly and absorbing study of a mediaeval institution which lasted into Tudor times when it aroused anger and opposition.

The ancient royal right to compel

a marriage on pain of fine affected the private lives of great men and nobles, besides helping to meet a growing public expenditure. The practice (or abuse) of selling rights of marriage gave rise to a new department of state in the "burdensome, greivous and prejudicial" Court of Wards of which Burghley held the Mastership, an office Elizabeth refused Essex.

The abolition of feudal wardship was one of the war aims or propaganda points of the Spanish Armada. But it took a Civil War (when the Parliamentarians set up an anti-Court) and a Restoration to put an end to the Court of Wards and the corrupt practices which surrounded it.

EXPLOSIVE WORLD

Danger Spots of the World, by Bernard Newman. (Robert Hale; 18s.)

Mr. Bernard Newman is a friendly writer who makes his reader feel at home at once. He has travelled far and written much about the powder barrels of the world both before and since the war. His analysis is astute if not profound; indeed one might say that he does well with the sort of popularization of world history and affairs often attempted on Television. He brings home vividly such fascinating paradoxes as that French relations have been better since 1954 with North than South Vietnam.

We find Mr. Newman's quotation from Napoleon that: "the situation is never as good and *never as bad* as it appears" more comforting than his advocacy of a United States of Europe and eventual universal feder-

ation. This he sees as the necessary guarantee of peace, but a world without nations would surely be the peace of the grave.

CHALLENGE

The Third World War: Trade and Industry—the new Battleground, by Harry Welton. (Pall Mall; 21s.)

Mr. Welton has admirably marshalled many of the facts about the Soviet economic offensive, aided by Communist mischief, in the industrial centres of the free world.

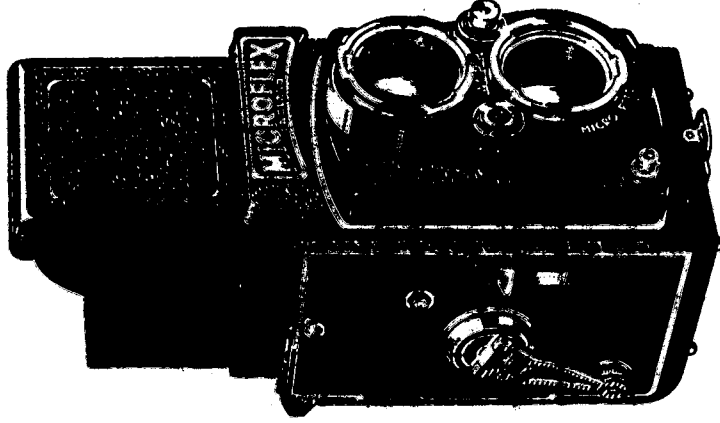
CORRECTION

Glory without Power: A Study of Trade Unionism in our present Society, by Richard Clements; 11/6d.

The publisher of this book is Arthur Barker, not Arthur Baker as is stated in our July issue.

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SHORTER NOTICES

The United Nations as a Political Institution, by H. G. Nicholas. (Oxford University Press; 21s. (in U.K. only.))

The Nuffield Reader in the Comparative Study of Institutions at Oxford has written, and written lucidly and well, at serviceable length, an account of U.N.O. as a working body, with its agencies and offshoots, which has a life and momentum of its own. We are told what the Organization is and—what is also important—what it is not and should not be claimed to be.

A Simple Guide for the Taxpayer, by John Wood. (Putnam; 9/6d.)

This is the 1959 Budget edition of a useful guide to the whole field of taxation, indirect tax, estate duty and direct tax. It is written in simple language, free from the jargon which usually surrounds this subject.

International Year Book and Statemens Who's Who. (Burkes Peerage Ltd.; 8 guineas.)

The 1959 Edition of this book is a mammoth volume of 1,500 pages and it contains a wealth of information about countries whether large or small. A most useful book of reference for all those with interests in trade and people overseas.

Steel Curtain, by David Murray. (Pall Mall Press; 16/6d.)

This is the story of the development of the iron and steel industry from the earliest times to the present day.

★ 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).

Extracts of Bulgarian Scientific Literature: Economics and Law: Bulgarian Academy of Sciences. Sofia 1959.

Selected publications which have appeared in Bulgaria during the fourth quarter of 1958. (1087)

Gold in World Monetary Affairs Today, by Miroslav A. Kriz. *International Finance Section, Princeton University, Princeton, N.J.*

No. 34 in the series—Essays in International Finance. (1088) O.E.E.C.

A Comparison of National Output and Productivity of the U.K. and U.S.A. by Deborah Paige and Gottfried Bombach. O.E.E.C.

A joint study by the O.E.E.C. and Department of Applied Economics, University of Cambridge. (1089)

G.A.T.T.

Restrictive Business Practices. General Agreement on Tariffs and Trade, Geneva. May 1959.

Reproduces the memorandum submitted to the Contracting Parties in November 1958. (1090)

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