

★ **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).*

**E.C.S.C.**

*Investment in the Community Coal-mining and Iron and Steel Industries: Report on the 1959 Survey. The High Authority: European Coal and Steel Community.*

Report on the position as at January 1, 1959. (1097).

**O.E.E.C.**

*The Elimination of Double Taxation: The Organisation for European Economic Co-operation. Paris.*

The 2nd report by the Fiscal Committee. (1098).

**DIGEST SPOTLIGHT—contd.**

Then came two years at the Economic Research Department of Manchester University, a pioneer in systematic fact-finding. Mr. Saunders wrote a book on *Seasonal Variations in Employment*. For ten years he was economist for the central organisation of the cotton industry (the Cotton Control during the war), an industry whose rise and decline have brought about a long tradition of often painful self-analysis. He had a year with the Ministry of Labour.

*Economic Conditions in Member and Associated Countries of the O.E.E.C.; Canada. O.E.E.C. Surveys the economic conditions in Canada covering the 18 months period to middle of 1959. (1099).*

**JAPAN**

*Employment Structure and Business Fluctuations. Economic Research Institute. Economic Planning Agency of the Japanese Government.*

A study made at the Institute on short-term employment movements. (1100).

**COUNCIL OF EUROPE**

*Consultative Assembly. Texts adopted by the Assembly 14th—18th September 1959. Council of Europe: Strasbourg.*

Texts adopted at the second part of the eleventh ordinary session of the Consultative Assembly. (1101).

In the early post-war years he worked a great deal in Paris with O.E.E.C. on the economic analyses and forecasts which were the basis for Marshall Aid.

A true European in theory and practice, Mr. Saunders married in 1947 a Dutch lady, herself an economist who had been working in Holland on town planning and had been sent by her Government to the staff of the Emergency Economic Committee for Europe. She also worked with her husband in O.E.E.C. They have a ten year old son.

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## *Digest Spotlight focuses on*

### **Europe House and its Chairman, Air Marshal Sir Lawrence Darvall, K.C.B., M.C.**

EUROPE House was opened in London at a time when wider understanding of common European problems and the various plans, still to be reconciled, for freer trade and closer economic relations on both sides of the Narrow Seas was badly needed in Britain. Its guiding spirit and Chairman is Air Marshal Sir Lawrence Darvall.

Born in 1898, he was educated at Dover College and Sandhurst, and later commissioned into the Green Howards. After four years' secondment, he was transferred to the R.A.F. in 1921. He was appointed Wing Commander in 1937, Group Captain in 1941, Air Commodore in 1946, Air Vice-Marshal two years later, in 1956. Lawrence Darvall became an Air Marshal in the same year.

His appointments have included Director of Air Transport Policy and Operations at the Air Ministry, 1943-44, the command of No. 46 and 216 Groups in Transport Command 1944-46, Air Officer Commanding Air Headquarters, Italy, 1946-47, Air Officer Commanding No. 3 Group, Bomber Command 1947-48, Air Officer in charge Administration, H.Q. Flying Training Command,

1949-50, Air Officer Commanding No. 23 Group 1950-51.

Sir Lawrence spent the years 1951 to 1953 as Commandant of the Joint Services Staff College, and 1953 to 1955 as Commandant of the N.A.T.O. Defence College in Paris.

It was during this period that he became impressed by the idea of greater European co-operation, which led to his decision in March, 1958, to find support for the establishment of Europe House to promote and foster a public interest in European affairs. Sir Lawrence has gathered round him at Europe House an enthusiastic committee and a wide circle of individuals prominent in European efforts. Its prospectus states that it "was founded to promote Anglo-European relations at a private level". It provides a meeting place for those interested in European affairs and runs discussions, lectures, film shows and other activities. There are similar organisations on the Continent.

The headquarters, situated in London, was formally opened in March, 1958, by Mr. Reginald Maudling, then Paymaster-General and Minister in charge of Free Trade Area negotiations.

## **Comments on The Radcliffe Report**

### **(1) THE CRITICAL FACTOR**

by Sir ROY HARROD

NOW we come to a most perplexing point. On the one hand the Committee holds that the "supply of money is not the critical factor", that "the structure of interest rates is the centre-piece of the monetary mechanism" and that control of the supply of money is only incidental to interest rate policy (para. 397). Yet in various passages there is scepticism about the effect on the economy of interest rate changes, except perhaps in the long run—but for correcting the trade cycle prompt action and quick effects are all important. But the Committee does recognize (para. 460) that bank restriction created a "diffused difficulty of borrowing" (an expression which they are good enough to quote from me), which tended to reduce spending or at least to strangle expansionist projects at birth. But what causes the "diffused difficulty of borrowing"? I submit that it is the reduction in the money supply. On the one hand they say that the key instrument in monetary policy is the interest rate structure and that regulation of the money supply is subordinate to that, but, when it comes down to brass tacks (and short-run effects), they seem to hold that the "diffused difficulty of borrowing" is more important than the interest rate structure. If this latter point is correct, then the reduction in the money supply is not secondary

to interest rate policy, but more "critical" than interest rate policy, since it is the reduction in money supply that causes the diffused difficulty of borrowing.

**Centre-piece of Monetary Policy**  
At the very centre of this whole confusion in the Report is the failure to perceive the relation between changes in the money supply and changes in the "diffused" ease or difficulty in borrowing. This brings us back to the alleged contrast between the money supply and the whole liquidity position. We are bound to reiterate the complaint that no precise account is given of the Committee's notion of the "whole liquidity position" such as to justify this contrast. What can the authorities do to reduce the "whole liquidity position" save precisely reducing the money supply? Whether or not this has a strong effect on interest rates and whether or not interest rate changes have a strong short-term effect on the economy as a whole, what the authorities can do to produce the strong short-term effect that is needed, is to reduce the money supply—which, on any showing, must be the *main* ingredient of the "whole liquidity position"—and thus cause a "diffused difficulty of borrowing". In that case control of the money supply is, after all, the centre-piece of monetary policy.

*Extract from an article published in the Westminster Bank Review, November, 1959.*

## (2) A STABLE MEASURING-ROD

by LORD BOOTHBY

IT has been said by Sir Roy Harrod that the Report as a whole is not based on any firm sub-structure of theory—and there is an element of truth in this. I agree that the velocity of circulation is far more important than the supply of money in any given inflationary situation. Nevertheless, I would also agree with the noble Lord, Lord Robbins, and with the Committee, that the supply of money is an important factor; and, provided they maintain their ratios, the commercial banks alone can create new money—and it is no good saying that, if they do create new money, it will not have any effect on the economy; because of course it will.

My Lords, the note issue is now completely detached from the gold reserve; and I confess that I had hoped for an alternative, in the

*From a speech in the House of Lords, November 11th, 1959 (Col. 532).*

## (3) A FREE ECONOMY

ONE broad aspect that emerged clearly at the outset has caused widespread disappointment. In the minds of many people the big question that lay behind the setting up of the inquiry was nothing less than the central problem of the post-war economy. How could a high-employment and growing economy be kept from undue fluctuations, especially from the excesses of inflation, and yet remain a free economy unless it could rely to a substantial degree

*From an article entitled 'No Verdict on Money' from The Banker, September, 1959.*

1951-2 had not prevented successive sterling crises, and if they had restored confidence after those crises they were widely regarded as having done so only at the cost of an "unnecessary" damping down of economic activity. What, then, was the scope for monetary policy? Could the existing type of policy, or a more vigorous or specifically strengthened policy, be expected in future to do enough to sustain the free economy?

This fundamental question still remains to be answered. It may now be doubted, indeed, whether the public was ever entitled to expect the Committee to try to answer it. At all events, the Committee's concern to produce a unanimous report has led it to take extraordinary care to avoid even the appearance of

advocating any doctrinaire view, and thus to work to a strict interpretation of its terms of reference. These did not mention the other two sorts of control—the physical or even the fiscal. Hence the Committee felt unable, even had it wished, to pronounce upon the relative merits of the three sorts—and, in particular upon the proportions in which it might ordinarily be practicable to combine the "free" regulators with the authoritarian ones. It concludes that all three types are needed, that the desirable proportions will depend not only on changing economic circumstances but also on the changing priorities attached to different major economic objectives; and that it is the task of the Government to decide both the priorities and the proportions.

## (4) THE STERLING SYSTEM

THERE will be those who will regret that the report makes no detailed mention of the changed character of the Commonwealth since 1947 and of the emergence in Asia and Africa of a new kind of constituent of the sterling area, desiring to do a different type of business with its central banker and on different terms from anything we knew in the past. But if an opportunity has been missed of examining the capital and other banking needs of the New Commonwealth, the omission is amply compensated by the clear and lucid exposition of the present working of the sterling system at home and overseas. The

United Kingdom economy cannot, in practice or theory, be considered in isolation from its overseas affiliations: Britain is banker for the sterling area; and the pound is widely used in settlement of international accounts; she is one of the most important sources of long-term capital for development of other parts of the world, particularly the Commonwealth; and, as the Radcliffe report points out, more than one worker in every three in British industry is producing against orders from abroad, whilst four shillings out of every pound spent by consumers goes on imported goods and services.

*Extract from The National and Grindlays Review, October, 1959.*

## (5) MONEY AND GOODS

IF money is unrelated to anything tangible, if its issue and control depends on the demands of the people for money, then money as a stable unit of value is doomed. We have only to see what happened in the years from 1938 to 1957 to realize that demands for money are practically limitless. In these years the quantity of money increased  $3\frac{1}{2}$  times while gross national production increased by only about 30 per cent. The £ decreased in value in these years from 20s. to 6s. 6d.

Admittedly, since 1957, a more realistic appreciation of the situation has prevailed. Mr. Ian Macleod, Minister of Labour, is on record as saying: "We have attacked more stringently than ever before the supply of money. This seems to be the most effective direction in which the Government can move. If demands for incomes run in front of production and productive capacity we are not going to finance those demands. We do not intend to print bank notes to finance inflation."

As a result of this determination, the £ has been a stable unit of purchasing power for 12 months. But one looks in vain in the Radcliffe report for the means whereby this policy can be implemented. As people begin to feel more wealthy they will demand more money and spend what they already have at a faster rate. Thus, unless better counsels prevail, inflation is the inevitable outcome. In due course this

*From an article entitled 'Money Without Mysteries', October, 1959  
issue of Far East Trade.*

will get out of hand, and the brake will have to be applied. Recession will threaten and the old merry-go-round of boom and slump will continue.

### A book-keeping system

What, then, is necessary? The main requirement is recognition by everyone—Government, authorities, and people—that money of intrinsic value has given place to money of account. The money system today is, in the main, a book-keeping system. Money gains its value today from the goods and services that can be purchased. These are the realities behind the pieces of paper and the figures in books which make up our modern money. Is it beyond the wit of man to devise a scientific mechanism whereby this book-keeping is based on the goods and services available for consumption?

It is an astonishing thought that in this atomic age, when science and invention have made possible vast new sources of wealth, we lag behind in the relatively simple business of distributing this wealth. The trouble has arisen mainly through lack of knowledge. Money has been surrounded in a maze of mystery that it has been almost impossible for the layman to penetrate. It has been difficult to prove or disprove assertions made because the facts were not available. The merit of the Radcliffe report is that after studying it one knows more about the working of the money and credit system than before.

## Commonwealth Survey (1) PROSPECTS IN SOUTHERN AFRICA

by H. F. OPPENHEIMER, Chairman Anglo-American Corporation of South Africa Limited.

THE Union and the Rhodesias have comparatively large European populations with no other homes. They are determined to stay in Southern Africa and to create conditions in which their children and grandchildren can stay there also. Any political approach which does not accept that fact is unrealistic and useless. Nyasaland is different from the other territories. It is an African country with a very small European population. The question there is not so much of building up a multi-racial country, but rather of finding a fair way for an African territory to be associated with multi-racial territories in one political system. Apparently there are African nationalist leaders who think any such association intolerable and seek to destroy it by methods of violence. The overwhelming economic advantages of Federation are summarily rejected in favour of what is called "freedom", regardless of the danger that the course they pursue would mean years of poverty and stagnation for the vast majority of the population.

### Partnership and safeguards

Nevertheless, whatever the material benefits of the association to Nyasaland, it is plainly not going to be workable unless the policy of partnership is honestly and intelligently implemented not only by the

Government but by individuals in the daily life of the two Rhodesias. It is not going to work either unless African opinion and aspirations in each of the federated territories are fairly represented in the central government. The question that must be answered is whether the Federal Government and Europeans in the Federation as a whole are sincere in the racial policy they profess. I am convinced they are. Criticism is easy, particularly for those without first-hand knowledge of the situation; but I think that any person with experience of conditions and prejudices in Southern Africa and an understanding of the dangers implicit in the racial situation, will give the Federal Government credit for a real desire to implement the racial partnership envisaged when the Federation was founded, and for proceeding with courage and determination and as much speed as in the circumstances has been practical. It is particularly encouraging that Europeans in Rhodesia are not allowing the violence and folly that have been manifested in Nyasaland to destroy their faith in the possibility of interracial co-operation or weaken their determination to do their part in securing it. What has happened has, at least to my mind, made it clear that when the time comes to make changes in the present consti-

*from Supplement to Optima, September, 1959.*

tution, it will be essential to devise safeguards to ensure that neither the present European majority nor a possible future African majority would be able to enact unfair legislation on racial grounds. It is this understandable mutual fear which constitutes the chief bar to the confident and fruitful co-operation of the races that all reasonable people want to see.

#### Benefits for all in Union

As compared with the Federation, the Union has the advantage of a much larger European population. The Union, unlike the Federation, is making no serious effort to strengthen its European population by immigration, but, in spite of that, even the most fervent African nationalist knows that the Union cannot be turned into an exclusively African country. Indeed, in the Union all thinking Africans and Europeans know very well that the question that must be answered is not whether South Africa should be a multi-racial state, but rather how such a state should conduct its affairs. In these circumstances, it ought to be easier in the Union than elsewhere to find the way to inter-racial co-operation. Nor should a justified concern at certain unfortunate aspects of race relations in the Union be allowed to blind us to the fact that considerable progress has been made. The economic expansion of the country has benefited all races, and the standard of living of Africans, which is still far too low, has risen rapidly—indeed

and needs to be energetically tackled. On the political side it may perhaps seem strange, after what has happened in the North, that the South African Government should deliberately set about creating autonomous African territories whose relationship to the rest of the Union would seem in many ways analogous to the relationship of Nyasaland to the rest of the Federation.

Nevertheless, I am convinced that the policy of building up machinery of local self-government in the tribal areas is wise. Obviously, however, it is only a beginning. There has been some talk of eventual full independence for the African areas but I do not believe that South Africans of any race or party would seriously contemplate the partition of the country. And it is surely plain that autonomous African territories will never accept membership with Europeans in one political system, unless they can at least look forward to a fair share in the central government of the whole system. The development of local self-government for Africans in the tribal areas, and the granting to Africans of a part in the central government, are not opposed but complementary conceptions.

#### (2) AFRICA'S CONTRIBUTION TO THE WESTERN WORLD

by Sir ROY WELENSKY

I, LIKE many Europeans here, am getting a little weary of the constant emphasis being placed on what is being done by the United Kingdom and the United States of America

for the advancement of the African on this continent. Frankly, I think that what two great and rich countries are doing is little enough in the light of the contribution the

#### Tribal areas

Then it must be remembered that the policy of local African autonomy leaves untouched the question of the political future of the millions of Africans who do not live, and never will be able to live, in the tribal areas.

It seems to me that, from whatever angle one approaches this complicated problem, one comes back to the conclusion, just as much in the Union as in the Federation, that constitutional changes are essential by which both Europeans and Africans would be guaranteed against the passing of unfair discriminatory legislation based on race. Once it has been admitted, as it has been by thinking people of all parties, that Africans must be allowed and encouraged to develop economically, culturally and politically to the full extent of their capabilities, no other conclusion is possible. It seems to me that there is much more unity on this matter among South Africans than appears on the surface and it may be that a satisfactory way of co-operation between Europeans and Africans in those countries which are and must remain the permanent home of both races, will be found sooner than is often supposed.

African continent itself makes to the well-being of the Western world, in natural resources alone. It is my opinion that the West has little to crow about in the effort it has made to bring on the African, whilst on the other hand the white man on the spot has made, and is continuing to make, an immeasurably greater proportionate contribution to the progress of the African people than his counterpart outside this continent is doing. The white man on the spot taxes himself and gives of his skill and, in the vast majority, does not come here as an exploiter. He is here to stay and, as I have said, far too little credit is given to

these people on the spot.

We in the Federation know only too well the extent to which those who wish to harm us will go. We know often the outside world is told that rights are withheld from our people on racial grounds, and how often the idea is propagated that the white man in the Federation has prevented the African from progressing; but what a travesty of fact this is. Let me remind you that only 70 years ago this country was completely primitive. Let me remind you, too, how quickly the people of the African continent are able to revert to their former habits and customs.

### (3) BRITAIN'S DUTY

IN 1959 has come the moment of truth. A line has been crossed. The world has begun an advance into a future hardly imagined little more than a decade ago.

China, the revolution over, has leaped from zero to world power. Within the same period, independence has transformed the face and spirit of Asia. A partnership of African, Asian, and European nations—the Commonwealth—has largely replaced the old order, and is making an historic contribution to a new world where East and West, at long last, are coming together.

The new Government faces a challenge—if only for reasons of self-preservation—to play a vital and enlightened part in Commonwealth affairs, to help provide an effective answer to the problems of under-

development, and to do its utmost in the interests of all for the expansion of international trade.

It must ensure that agreement at the Summit is found, and that Mr. Khrushchov's readiness for negotiation meets with an ungrudging response. The people's support of their Prime Minister is an earnest belief that all this can be achieved.

Surrounded by the powerful elements of change, for which they themselves are in part responsible, the British people, voting as they did, showed unwillingness to upset things at this critical juncture. It was not so much a censure of Labour—indeed many Socialist ideas are now woven into the general pattern—as a fundamental re-appraisal.

The old economic values must give way to a scheme wherein prob-

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## South African Letter

by EDWARD JEAL

### AUSPICIOUS POLITICAL TRENDS

WHEN the U.K. press at one point envisaged a Labour victory, the Johannesburg share market sagged. This seemed odd, seeing that a Labour victory would have meant an outflow from the U.K. of 'funk' money; but the explanation lay deeper. Had Labour won, decisively, the Whites south of the Zambezi (in South Africa and Rhodesia) would have had to decide whether their very existence—and that of economic coherence on the existing advanced highly capitalised basis—did not depend on abjuring, not only Queen, but also Commonwealth, with resulting financial and trading derangement.

Soon after the U.K. polled, nationally, South Africa polled, provincially, and that has led to a result that adds grounds for optimism.

### Slump in Nationalism?

For on the whole, it would seem that the results disclosed that Nationalism has passed its peak and that there was abstinence in its ranks (Nationalists rarely vote the other way). This does not mean that the concentrated United Party, shorn of its liberal element, can hope for power; but it does mean that the prospects for political re-orientation at the Centre has been vastly improved, while the expulsion of Mr. Japie de J. Basson, Member for Namib, South West Africa, from the National Party, will accelerate matters.

The result was, indeed, most decisive, negatively. In order to regard the election as affording a mandate for an application of the Bantustan policy, a much more decisive result was desirable. Indeed, the result can be seen as reflecting a state of confusion in the National Party that shrewd observers knew to exist.

The Kaffir market has been preponderantly local since London pulled out in 1955/6. Since then, only the Americans have come in. The day before the U.K. poll, things began to pick up, and have remained firm ever since, despite the terrific market in London in industrials. Indeed, Kaffirs and coppers have been bought widely. Mr. Macmillan's victory brings prospects of better relationships between the U.K. and White Africans. His enhanced majority should enable that wise and understanding man to follow a decisive line, based on a study of the African realities. The U.K. and its Commonwealth African associates have everything to gain from close harmonious co-operation,

The divergence is equally apparent on the republican issue, and a move in that direction is receding once more.

All thinking people have known that the urban areas could not be deprived substantially of non-Whites on a 'put back the clock' basis, and that any rapid development of the Reserves is an impossibility, even at a disproportionate capital cost. The Director of the U.N. Food and Agricultural Organisation agreed, at a visit, years ago, with the Administration, that it was inadvisable to add to land in non-White hands while the land in the Reserves was being wasted through an anthropological backwardness that could not quickly be overcome; and some responsible opinion favours a gradual liquidation of the Reserves, among other things in the interest of increasing the total food supply from well maintained land. Also, a bigger proportion of the White people every day favours non-White cultural and occupational advance, but with the separate residential arrangements that are common sense and traditional. It is also increasingly desired to let non-Whites learn civics by running their own townships, as they gradually show themselves able, which would pave the way, by graduation, for some form of ultimate enfranchisement.

### Republic or Monarchy?

In the same way, a large section of Nationalist opinion, especially in the Cape, has become apprehensive

over the Republic, seeing that Transvaal extremists are bent on organising one which would run across the present democratic constitution by vesting power in a President as in the United States. The Cape Nationalists would welcome a Republic only if it did little else than convert the Governor-General function into that of a President. This would have the solid advantage of establishing a Head of State within this country that requires the stamp of Authority. At the same time, press and other attacks on this country from outside, contrary to Commonwealth ethics, has been making republicans of many English speaking people who loathe present political tendencies.

All this goes to show how propitious is the time for political re-orientation, racially organised; but the case for it is even stronger still. The last twelve years have shown increasing obsession by Government, supported by a dwindling backveld, with ideological considerations; but the country's daily imperious need is for sound administration with economic emphasis. This cannot receive reflection by a government whose electoral support is narrow, but only by one drawing support from a much wider and aracial cross section of Whites. Such alternative government could not emerge from the United Party while it was tainted with a liberalism that was a factor causing it to lack the confidence of people in general.

One looks forward now to a

movement of National Reconciliation and Salvation, leading to a Centre government in which, at last, Political Possibility and Administrative Necessity will find themselves harmonised. From that moment this country, maturer than it appears to be, will not look back. It will become a matrix of great stabilising value in Africa; but only if the world outside reciprocates by wholehearted support, moral and financial, instead of deluding itself by a lack of understanding, for which contentious press reporting is mainly responsible.

## Soviet View on Technical Assistance to Underdeveloped Countries

ADDRESSING the Economic Committee of the U.N. General Assembly, the representative of the Soviet Union, G. P. Arkadyev, said that technical assistance to underdeveloped countries was of great importance for the development of their national economy and the Soviet Union was therefore increasing its assistance to those countries every year.

Turning to the question of aid to underdeveloped countries under the so-called extended programme, Arkadyev drew attention to certain negative phenomena which, he said, could be seen in the implementation of that programme.

"For instance," he said, "50 per cent of the 3,213,000 dollars expended for this purpose in 1958 were spent on purchasing equipment in the U.S.S.R. on the account of the Soviet contributions.

"At the same time the number of Soviet specialists invited to work as experts under the extended programme amounts only to 1.6 per cent of the total number of experts

sent by the United Nations to underdeveloped countries.

"The situation still prevails in which four countries—the United States, Britain, France and Holland—remain, as hitherto, the main providers of experts for underdeveloped countries."

Arkadyev said that the Soviet delegation maintained that the administration of the extended assistance programme was mistaken in cutting the funds earmarked for training personnel from the underdeveloped countries by sending students from those countries to study abroad.

After drawing the committee's attention to the big administrative outlays permitted by the United Nations in carrying out the extended programme, the Soviet representative, on behalf of the Soviet delegation, recommended that superfluous staffs should be avoided and that the structure of the whole apparatus for carrying out the programme should be simplified, so that the programme funds made up of contributions from the United Nations'

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*From Soviet Embassy, November 13th, 1959.*



## Property and Power in the Modern Economy

### A GERMAN SOCIALIST VIEW

AN important characteristic of modern economy is the constantly increasing tendency toward concentration. Big enterprises do not only exert a decisive influence on the development of the economy and the standard of living, they also change the structure of the economy and the society.

Those who have power over enormous capital values and over tens of thousands of employees in the large organisations of industry do not only conduct business. They in fact wield decisive power over men in general; the dependence of workers and employees goes far beyond purely economic and material matters.

Wherever the large enterprise predominates, free competition disappears. Those who do not have the same power do not have the same opportunities to develop, they remain more or less fettered. The consumer occupies the most vulnerable position in the economy.

Increased power through cartels and associations lends the leading men of big business an influence on state and politics, which is at odds with democratic principles. They usurp the power of the state. Economic power is transformed into political power.

This development is a challenge to all who consider freedom, human dignity, justice and social security the foundations of human society.

*from Draft of a New Socialist Programme, submitted by the Executive Committee of the Social Democratic Party of Germany to a Special Party Congress, Bad Godesberg, November, 1959.*

The central task of a free economic policy is therefore to contain the power of big business. State and society cannot be permitted to become the prey of powerful interest groups.

Those who own means of production have a right to be protected by the society as long as their property does not hinder the development of a just social order.

#### State help to enterprise

Small and medium sized enterprises are entitled to support. The State should create fair competitive conditions.

Competition by public enterprises is an effective means of preventing private enterprises from dominating the market. Such public enterprises are to underline the interests of the whole community. They become a necessity where for natural or technical reasons indispensable functions can only be carried out by excluding competition in the interest of the public and according to economic common sense.

The enterprises of a free social economy, which work to satisfy the demand for goods rather than private profit, serve as price regulators and help the consumers. They fulfil a valuable function in the democratic society and deserve its support.

A far-reaching publicity must

give the public an insight into the power structure and economic practices of enterprises so that public opinion can be mobilised against the misuse of power.

Effective public controls must prevent the misuse of economic power. Its most important means are investment controls and control over the forces dominating the market.

Public ownership is the legitimate form of public control which no modern state can do without. It serves as a protection of freedom against the predominance of large economic constellations. In big business a group of managers have attained power, who are themselves the servants of anonymous forces. Private ownership has therefore

largely lost its power over the means of production. The central problem today is: economic power. Where other means cannot guarantee a sound order of the economic power relationships, public ownership becomes expedient and necessary.

Every conglomeration of economic power, even in the hands of the State, harbours a danger. This is why public property should be ordered according to the principles of self-administration and decentralisation. In its administrative bodies the interests of wage and salary earners as well as the public and consumer interests must be represented. Not centralised bureaucracy but the responsible co-operation of all participants best serves the interests of the community.

## Hire Purchase in Britain and U.S.

Consumer credit in Britain: over £1,000 million.

Current hire purchase debt: over £750 million.

At least £100 million of the current H.P. debt has been incurred for industrial and agricultural equipment.

About one quarter of consumer durables are bought on credit and about 10 per cent of all consumer

goods.

Hire purchase in the U.S.A. is equivalent to £50 per head.

Hire purchase in Britain is equivalent to £15 per head.

By 1970 it is estimated that British hire purchase may be approaching the present American level.

Of the current H.P. debt, over 60 per cent has been directly advanced by finance houses.

## Consumer Debt

Two-thirds of the families in the United States and self-supporting individuals make use of consumer credit facilities, whether for homes, automobiles, electric refrigerators or

any number of other things. Economic progress hinges largely on the credit system because it enables people of moderate means to enjoy consumer goods immediately on the basis of future earning power.



## Goods on Credit

Sales in Britain by Instalment Credit in 1957

Kinds of shops	Amount in £m	As percentage of all sales
Gas showrooms	19	64.4
Electricity Showrooms	20	60.6
Radio and Electrical	81	42.7
Furniture and furnishing	118	37.7
Cycle and pram	18	30.5
Clothing and footwear	78	7.2
of which credit traders calling on customers	38	94.1
Booksellers and stationers	5	5.0
Department Stores	33	9.0
Other general stores	170	43.0
of which:		
general mail order traders	95	86.4
credit traders calling on customers	53	98.5
Co-operative societies	65	6.9
Other shops	11	0.3
All retail trade	618	8.1

Broadly speaking, multiple shops sell a relatively high proportion of goods by means of instalment credit; in 1957 nearly four-fifths of their sales of furniture and nearly three-quarters of their sales of radio and television equipment were settled for payment over a period. For all shops and stores together, it is estimated that about one-half of sales of furniture and furnishings are made for payment by instalments; about one-third of the sales of radio sets, one-fifth of home sales of new cars, and probably a higher proportion of sales of second-hand cars. By contrast, of the sales in food, confectionery, newsagents' and tobacco shops, accounting for nearly one-half of all consumers' expenditure, those settled by instalments were a negligible proportion. In addition

From an article entitled 'Britain's Shops and Shoppers', *Midland Bank Review*, November, 1959.

to instalment arrangements many shops extend credit to customers conducting "accounts" at the shops, the total owing under arrangements of this kind to all retailers at the end of 1957 being £156m. For most retail traders, on the average, two per cent of all sales were on account, but for co-operative stores the proportion was one per cent and for department stores it was five.

It seems likely that the swift expansion of hire-purchase and other forms of credit trading that followed the removal of restrictions helped to restore the growth of retail trade after the slight setback experienced last year. In recent months the aggregate amount of retail sales has been from four to five per cent above the level of 1958 and prices have been steady. Meanwhile the monthly figures of hire-purchase facilities provided by finance houses and some household goods shops have risen by £300m. since the end of 1957, or by nearly two-thirds, and other forms of credit have increased.

Bank advances to hire-purchase finance companies rose sharply over the year to August last and bank investments in these undertakings also enlarged the resources available for instalment trading. Lending for personal and professional purposes has expanded and part of the additional borrowing, particularly through the introduction of personal loans, has no doubt helped to support the rise in sales. Retail traders, too, have borrowed more from the

banks. To judge from results so far this year, the trends remarked in retail trade between the two centuries have become more noticeable since 1957, with competition sharpened and structural development making progress. Spending on furniture.

## Trade Credit

THERE is a very real risk, therefore, that trade credit may expand too easily during a boom. Business solvency becomes interdependent as cash resources in general are run down, for the ability of any one business to pay its bills may depend on the ability of its debtors to meet theirs. As long as businessmen in general remain confident as to the creditworthiness of their customers, the danger of a collapse of trade credit, in which businesses suddenly begin to press for payment of overdue or doubtful debts, may not be

From an article by H. B. Rose in *Accountancy*, October, 1959.

## China's Trade with Countries Outside the Soviet Bloc

(Value \$m.)

	1956		1957		1958	
	Exports	Imports	Exports	Imports	Exports	Imports
Canada and U.S.A.	5.6	2.5	5.0	1.5	4.0	7.2
Latin America	1.5	2.2	0.5	0.4	0.2	14.6
Middle East	20.8	26.5	18.1	42.5	19.8	34.5
W. Europe	133.8	140.1	115.9	197.1	143.3	341.2
Finland	1.1	6.3	5.1	5.8	3.2	7.3
Yugoslavia	3.5	3.7	7.7	3.3	1.4	4.5
Asia	334.2	144.9	316.8	143.2	373.5	167.7
Australia and N.Z.	4.7	4.9	5.7	17.2	7.6	18.3
Africa	19.3	0.2	6.3	2.9	22.4	3.1
Total	524.5	331.3	481.1	413.9	575.4	598.4

From *Far East Trade*, October, 1959.

## The State of the British Nation

by C. F. CARTER, M.A., Stanley Jevons Professor of Political Economy at the University of Manchester

IT would be quite hopeless to try to explain prosperity by reference only to the ideas which are found in the writing of economists. Prosperity involves the possession of a lot of man-made capital: but why do people accumulate capital, and what are the conditions which encourage its accumulation and its proper use? Prosperity is in some way linked to technical progress, and this Society has for some years past been the joint sponsor of an investigation into the factors which influence the rate of application of new scientific ideas in British industry. This investigation has, quite naturally and inevitably, wandered into studies of education, management methods, administrative structures and social institutions. If you want to understand what makes the British economy work, you must at least be something of an economist, something of a historian, a geographer, a student of management and administration, an expert in education, a man knowledgeable about international affairs, and a sociologist.

What I have tried to list are the factors which affect our ability to produce. This is not quite the same thing as the factors which affect our standard of living. First of all, we have from time to time unused capacity to produce; in the 1930s we had millions of unemployed and much idle plant and machinery, and

*Extract from a paper to the Royal Society of Arts, November 10th, 1959.*

advantages of a crowded urban existence. Arms spending is the competitive advertising of the nations, which no one dares to drop lest his rivals should take advantage of him. It will, indeed, be a happy occasion if we can ever seriously discuss the uses to which we could put resources released by disarmament.

Finally, there are variations in the terms on which we exchange for imports the large part of our product which we send overseas. In 1951 for instance, import prices were exceptionally high, and in consequence the standard of living attainable from a given level of production at home was lower than in previous years. In 1958 and 1959, the advantage has been on our side.

For these various reasons, it is possible for the change in our standard of living between two dates to be downwards while the change in production is upwards. Since 1952, however, the tendency has been the other way; the fall in the burden of arms expenditure (after correction for price changes) and the improve-

ment in the terms of trade have allowed the attainable standard of living to rise faster than production. But, of course, people may decide not to use on their immediate needs all the extra income available to them; we must also take some account of saving, both personal and corporate. Personal saving was under £250 million a year during the post-war years up to 1951, but it then rose dramatically, reaching £1,400 million in 1958. This increase in saving represents, to the individual, a decision to do without things now, in order to have more in the future. The relation for the nation as a whole is more complex, but we should have found it more dangerous to the economy to add to our capital at the rate of the last few years without this increase in the willingness to save.

The prosperity of Britain in 1959 thus makes possible a high standard of living and relatively high personal savings. But is it a prosperity which can continue and develop, or does it contain influences which will cause it to decay?

## Reader's Commentary

From: M. L. Graham, 3 Fox Lane, Flushing, N.Y., U.S.A.

Your interesting review of Paul Einzig's book, *Control of the Purse*, mentions the inflation of Tudor times leading to the Civil War. Has the connection between the two been authoritatively treated anywhere by yourself or anyone else?

| *The rise in prices and wages during that period is discussed in such text books as Sir John Clapham's A Concise Economic History of Britain from the Earliest Times to A.D. 1750 (Cambridge University Press). A fascinating and provocative study is that of Christopher Hollis in The Two Nations (George Routledge).—Joint Editors.]*

## Comment on the IDA

### (1) U.S.A.

THE topic most prominently discussed at the Bank meeting was the United States proposal to create an International Development Association (IDA) as an adjunct of the World Bank.

The new body would grant loans at low interest rates, repayable in whole or in part in the borrower's own currency. On this is grafted the idea that local currencies accruing out of repayments might in turn be lent either to domestic borrowers or to other countries that could use them for financing imports. It is thought also that the large amounts of local currencies generated under United States aid and loan arrangements, including the sale of surplus farm commodities, could similarly be used by IDA.

According to the U.S. proposal, the capital of \$1 billion would be provided by member countries in amounts proportionate to their subscriptions to World Bank capital; the United States' share would be \$320 million. Members would pay in 50 per cent of their subscriptions initially, and the remainder in equal instalments over five years. At 5-year intervals, IDA would consider the desirability of increasing its capital. The United Kingdom and other countries concerned concurred with the U.S. proposal that the subscriptions of industrialized countries should be convertible.

*From The First National City Bank of New York Monthly Letter, November, 1959.*

### Reservations

But the debate at the Washington meetings revealed distinct reservations about some aspects of the proposal. Doubts were expressed as to the usefulness of endowing the new institution with so-called special resources in local currencies, as envisaged by the United States. Such local currencies would be transferred to IDA over and above the subscriptions to initial capital.

The idea that local currencies, whether accrued from repayments of IDA loans or transferred to it by the United States, might be thrown in to help make the world go round raises many questions. It is, for instance, hard to see how local currency balances may be used to increase the real resources of the country in which they are located. If they are lent locally to finance domestic investment outlays, they give rise to additional demands on the country's resources; this adds to inflationary pressures unless offset by cuts in other spending. If money repaid by Thailand in bahts were lent to India for financing imports from Thailand, Thailand would, in effect, be extending aid to India.

These difficulties with the use of local currencies are becoming more generally understood. In any event, according to the U.S. proposal, assurances would be given to the recipients of IDA financing that their local currencies would not be

utilized by the Association in a manner that might produce a foreign exchange drain or disturb internal policies designed to restrain credit and mitigate inflation.

Latent in the Washington discussions of IDA was a fear that the basis of sound international lending might be undermined. The unanimous endorsement of IDA was a tribute to the confidence of world financiers in the ability of the World Bank management to steer away from the obvious rocks of disaster.

### Challenge of the 'Sixties

By and large, the concept of IDA appears to have two main advantages. As the World Bank's President, Mr. Eugene Black sees it, there is need for "a more flexible type of development lending"—along with, and in addition to, the Bank's regular operations—that

would provide aid without becoming a burden of a fixed charge on the borrower's foreign exchange income. Some nations, for reasons not directly attributable to poor financial management, are approaching the limits of their capacity to assume additional foreign exchange obligations which, like World Bank loans, must be serviced on a fixed timetable and in scarce foreign exchange.

Moreover, IDA would bring Western Europe and Japan into programmes for helping backward areas that were hitherto financed mainly by the United States. It is worth noting that the principle of sharing the foreign aid burden is now being increasingly accepted by industrial nations as one of the main guidelines in helping develop the poorer parts of the world—the biggest challenge of the 'Sixties.

### (2) BRITAIN

AMONG the most important developments arising from the Washington meetings was the proposed establishment of an International Development Association to make capital available to under-developed areas on less onerous terms than those of other world institutions. The I.D.A. is seen partly as a means by which America can lessen the burden on its own foreign aid bill and persuade the countries of Western Europe to participate in financing world economic development. The United States has offered to contribute \$320m. to the total initial capital of \$1,000m., while Britain is

to provide \$140m.

It is generally agreed that, apart from helping to spread the burden more widely, the IDA will fill a real gap in the existing machinery for economic aid. There seems to be some danger, however, that if finance is available on easy terms, borrowing countries will have less incentive to meet the requirements for obtaining loans at commercial rates. Pitfalls are also seen in the proposals that loans should be repayable, in whole or in part, in the currency of the borrower, and also that use might be made of the local currencies apparently (if surprisingly) ob-

*From an article entitled 'Sharing the Burden of Aid', The Mining Journal, October 9th, 1959.*

tained by the U.S. in return for farm surplus disposals. The U.S. is reported to have the equivalent of \$1,300m. in this form.

### Maximum effort

If foreign aid is going to develop on a widening front it will become increasingly important to ensure that the money loaned to developing countries is spent with the maximum effect and minimum waste. It would indeed be disastrous if this realistic attitude were not adopted by the proposed new agency. Particularly welcome, therefore, is the proposal that the IDA should be placed under the management of such a highly successful undertaking as the World Bank, which virtually insists on a running technical audit of the use of its loans by ensuring that competent consultants are retained throughout the project.

It will also be apparent that, if the proposed establishment of the Inter-

national Development Association really means that foreign aid is to become increasingly a Western international effort rather than a U.S. effort, the competition for supplying the know-how and capital goods which backward areas will wish to purchase with these funds will be intensified. Assuming that the U.S. Administration is going to show an increasing insistence on aid with strings, European countries can hardly be blamed for adopting a similar attitude so far as their own contributions are concerned. Hence it will become a matter of increasing urgency that in Britain, the one country where there is virtually no continuing liaison between Government initiative in making foreign aid available and the private enterprise supply of know-how and capital equipment, steps should be taken to set up the necessary machinery for ensuring that to the fullest possible extent trade will follow the flag of aid.

## The European Community

THE European Community covers an area of 449,000 square miles. In this area live some 165 million people—roughly as many as there are in the United States. The active working population of some 73 million is greater than that of the United States. Its associated countries and territories number a further 53 million inhabitants.

The Community produced in 1957 a record of 60 million metric tons of steel, and 248 million tons of coal. It shares with the U.S.S.R. its second largest export. Its total imports from the outside world in 1957 amounted to \$17,700 million and its total exports to \$15,300 million.

*From European Community Information Service.*

## European Free Trade Association IMPORTS INTO THE 'OUTER SEVEN' (EXCLUDING THE UNITED KINGDOM) IN 1958

Commodity	Imports from							Total
	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	£m	
General machinery	£m 2.6	£m 10.3	£m 7.3	£m 4.3	£m 21.2	£m 3.8	£m 49.5	
Road vehicles	£m 37.6	£m 15.7	£m 12.9	£m 8.7	£m 34.2	£m 36.4	£m 145.5	
Chemicals	£m 49.3	£m 37.6	£m 36.6	£m 19.2	£m 80.8	£m 53.5	£m 277.1	
Textiles(a)	£m 2.0	£m 6.3	£m 3.2	£m 2.7	£m 11.6	£m 3.3(b)	£m 29.2	
Electric machinery	£m 17.8	£m 15.9	£m 8.3	£m 7.2	£m 42.5	£m 20.2(b)	£m 112.0	
	£m 25.5	£m 26.7	£m 18.4	£m 11.0	£m 61.1	£m 25.9(b)	£m 168.7	
	£m 1.2	£m 6.2	£m 4.5	£m 3.1	£m 8.5	£m 3.3	£m 26.8	
	£m 19.5	£m 17.7	£m 9.8	£m 8.7	£m 24.7	£m 28.5	£m 108.9	
	£m 28.1	£m 42.2	£m 24.1	£m 16.0	£m 57.3	£m 44.8	£m 212.6	
	£m 1.7	£m 6.8	£m 4.6	£m 1.1	£m 8.0	£m 3.8	£m 26.0	
	£m 16.4	£m 16.0	£m 11.5	£m 2.0	£m 26.7	£m 23.3	£m 95.9	
	£m 25.9	£m 32.0	£m 23.1	£m 4.4	£m 51.2	£m 37.2	£m 173.8	
	£m 0.5	£m 2.0	£m 3.0	£m 2.6	£m 5.6	£m 1.1	£m 14.8	
	£m 15.1	£m 7.5	£m 8.7	£m 4.5	£m 34.3	£m 12.8	£m 83.0	
	£m 18.6	£m 14.2	£m 17.7	£m 8.4	£m 50.6	£m 16.4	£m 125.9	
Total imports (i.e. including others)	£m 16.7	£m 109.1	£m 72.2	£m 21.9	£m 118.4	£m 34.4	£m 372.8	
	£m 208.3	£m 172.6	£m 165.0	£m 67.1	£m 352.8	£m 359.1	£m 1,324.8	
	£m 383.3	£m 478.1	£m 467.0	£m 171.2	£m 844.1	£m 611.0	£m 2,954.7	

Imports valued c.i.f.

(a) excluding wooltops.

(b) incomplete.

*From G.E.C. Export Guide, October, 1959.*

## UNITED KINGDOM EXPORTS TO THE 'OUTER SEVEN' IN 1958

U.K. exports to	'Outer Seven'							World
	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	£m	
General machinery	£m 3.2	£m 10.7	£m 7.6	£m 5.0	£m 19.8	£m 4.8	£m 51.1	£m 567.0
Road vehicles	£m 1.6	£m 6.3	£m 2.5	£m 2.9	£m 13.8	£m 2.5	£m 29.6	£m 335.8
Chemicals	£m 1.0	£m 5.2	£m 4.6	£m 2.8	£m 7.6	£m 3.1	£m 24.4	£m 263.0
Textiles(a)	£m 1.6	£m 6.0	£m 4.3	£m 0.8	£m 7.3	£m 3.0	£m 23.0	£m 255.0
Electric machinery	£m 0.6	£m 2.3	£m 2.5	£m 3.3	£m 5.6	£m 1.9	£m 16.2	£m 223.6
All other	£m 7.7	£m 47.0	£m 43.7	£m 7.8	£m 50.2	£m 18.3	£m 174.6	£m 1,562.3
Total exports excluding re-exports)	£m 15.6	£m 77.4	£m 65.3	£m 22.7	£m 104.3	£m 33.6	£m 318.9	£m 419.0

Exports valued f.o.b.

(a) excluding wooltops.

*From G.E.C. Export Guide, October, 1959.*

## SOVIET VIEW—continued

member-countries could be used primarily for developing the industry of countries which had recently gained freedom and independence and which needed such assistance more than other countries did.

## Rural Economy

### (1) WE ARE DOING THIS FOR OURSELVES

by LAURENCE EASTERBROOK

A HUNDRED and ten years ago a young Westphalian German deserted for the army was rejected for failing eyesight and found himself a Burgomaster. His name was F. W. Raiffeisen and in his official position he became deeply concerned at the plight of the small farmers in his area. The soil was poor, the surroundings bleak, communications scanty and markets indifferent. Badly housed and clad, they worked hard for a living barely sufficient to keep them alive. Their little patches of rye and potatoes and their half-furnished cattle were pledged to the moneylenders, and the whole neighbourhood was in the grip of a remorseless system of usury designed just to keep alive those who had to work their hearts out to pay the interest on their mortgaged possessions.

#### Alternative outlet

Raiffeisen knew about the co-operative trading movement that had ther started in England. Determined to do something, he opened a co-operative bakery, and then a co-operative cattle-purchasing association. Thus an alternative outlet for farm produce was provided, but it still left the moneylenders holding their bonds and mortgages. It was then that Raiffeisen made his great gamble, the gamble destined to make him one of Western Eur-

*From The British Farmer, November 7th, 1959.*

ope's greatest agricultural benefactors.

With £300 in all, raised with the greatest difficulty, he set up his first 'Village Bank' and offered the peasantry money for their needs. It seemed a hopeless project; but, to cut a long story short, the enterprise became overwhelmingly successful. It released the small German farmers from their bondage, gave them the means to improve their farming and expand their business and ended up as a vast, financial undertaking that spread to many lands.

The broad principle of Raiffeisen's banks was that they were organised on the basis of local associations in which every member of an association guaranteed any loan made to any member. If he failed to repay, all took responsibility for the debt. It is not only in Britain that farmers have a good name as honest borrowers. It is true over most, perhaps all, of Europe. So this collective guarantee of an individual's loan opened up a vast new field of 'credit-worthiness' (I apologise for the word) that surprised even Raiffeisen himself.

There were other considerations too. The members of each association were all known to one another, so they were able to refuse membership to suspected crooks. The conditions under which each farmed were also known to all, so it was not

difficult to decide whether the particular purpose that had to be stated to obtain a loan was a sensible proposition or not. The same practical knowledge guided them in determining what would be a reasonable time in which to expect repayment of the loan. In some cases, such as buying manure or feedingsuffs, the loan might well repay itself in a twelvemonth, but for sinking a well, draining a field, putting up a barn or improving a herd, credit must be given for anything up to ten years, perhaps even more.

#### National temperament

Attempts have been made from time to time to introduce something of the sort into Britain. They have never yet succeeded, for a variety of reasons. But I think they all add up to the same sort of thing. They were never put to the British farmer in an idiom that fitted in with our traditional banking system, with the set-up of our farming, or with the national temperament. The last may well have been the most important of all. We have inherited pawkiness in sharing the details of our exact financial position with others, and with the Raiffeisen banks that was an essential part of the whole scheme.

#### Collective guarantee

I cannot help thinking that the

### (2) MORE SOVIET WHEAT IN U.K. AND JAPAN

IN the first eleven months of the

past season, United Kingdom imports of Soviet wheat totalled 127,000 long tons, compared with 54,000 tons for all of the previous season. In mid-August, Russian wheat was being offered in the U.K. at the equivalent of \$1.49 a bushel.

*From World Farm News, I.F.A.P., October, 1959.*

new Agricultural Credit Corporation Ltd., that has just been set up by the NFU, may well be the right sort of way to achieve for British farmers some of the benefits of collective credit that Raiffeisen secured for German farmers. For in much the same way it is a collective guarantee that any bank would regard as just about the best security that could be offered. It is administered through an institution that is the farmers' own and which they have learnt to trust; and it does not make direct loans. It only guarantees the bank that makes them. Thus we obtain the technical advantage of a banking system that is probably the soundest in the world. By using the existing banks, it dovetails in with an established system, and this is desirable in many ways. For example, farm deposits at banks tend to be highest in the last three months of the year, when industrial deposits tend to be at their lowest. Similarly, when farms most often need temporary credits is in the three months before harvest, when other industries tend to be in funds.

But most of all I like it because we are doing this for ourselves. We are not asking Governments or politicians or taxpayers or consumers for a single penny to put this into operation. It is self-help in every meaning of the term.

Japan is also buying Russian wheat. The Japanese Food Agency has authorized purchase of 7,500 metric tons of the Soviet wheat at a price the equivalent of \$1.61 a bushel. Trade officials in Tokyo say one important factor in the decision to buy Russian wheat is Japan's unfavourable balance of trade with Canada.

## Rates of Economic Growth

by ALFRED ZAURERMAN

A REPORT assessing prospects of the economic race between America and Russia was published recently by the U.S.A. Senate Foreign Relations Committee. Very few things equal this dramatic race in its impact on the destinies of mankind, and the subject has by now accumulated inside the West a huge body of literature. But the authority under which the report in question has been issued, and the scholarly values of the body which has produced it, lend it more than usual interest.

There are hardly two nations whose economic lives have identical patterns and courses of development. This alone makes international comparisons a tricky business. Difficulties increase when you try to find some kind of common denominator for economies so widely dissimilar as those of America and Russia. To make things still worse, there are also great differences in the way that progress is measured in the two countries. And although one should be thankful for the marked improvement in the quality of Soviet statistics in recent years, they still have quite a few dark corners.

*From North Atlantic Treaty Organisation Information Service, October, 1959.*

A good deal of work has been done by Western experts on the subject, and inevitably their opinions and findings differ. The remarkable things is, however, the rare unanimity among experts on at least two points. First, that, due to the adopted methods of measurement, Soviet growth indexes have heavily exaggerated past progress. And secondly, that they give a biased picture in the comparison of industrial levels between Russia and Western nations.

### Cautious

The report, published by the Senate Foreign Relations Committee, is remarkable for its great caution. It finds that over the past decade the Soviet national income grew faster than that of the United States (as did, incidentally, the national income in other areas industrially less developed than America, i.e., in Western Europe and Japan). In the report's assessment the Soviet rate had been almost twice the average American growth rate of four per cent per annum. This concerns the past. What about the future?

The cautious report assumes that the recent growth rates will continue. This is an assumption with which quite a few experts will disagree, since the Soviet economy is also slowing down its pace as it becomes more and more mature. But even when projecting into the future the present tempo of Soviet industrial progress, which would mean a growth, year in year out, of nine per cent on the average, the report finds that only in 1970 could the Soviet Union reach the present volume of American industrial output. On such a count, only by 1970 could Soviet industrial production equal about three-fifths of American output of the same year. But the Russians claim already to have reached the three-fifths ratio in 1955. They claim that they have passed the three-quarter ratio, compared with America, last year. That is how the Russians arrived at the forecast that getting on a par with the Americans is historically almost round the corner. As we see in the report's calculation, that moment is pushed forward into the somewhat misty future.

### Warning

However, the report does issue a warning on a relevant point. Industrial patterns of various economies vary. The well-known characteristic of Soviet output patterns is the exceptionally large share of equipment, and of what are generally called "investment goods", as against those which directly serve human consumption. On this count,

the West is both stronger and weaker. The Western strength lies in people's welfare. The report defines the Western system as one of "growth with consumption". But it gives the warning that, because of the stronger emphasis on capital goods, if present rates and patterns of growth continue unadjusted, the Soviet Union could reach parity with America in the output of industrial equipment around 1970.

It is all to the good that an authoritative voice should draw attention to a hypothetical contingency. The pace of expansion in what one could call the industries—i.e., those producing machines and other equipment—is in the longer run extremely important for the fate of an economy.

The factories of the West must produce enough equipment to sustain its own industrial growth, and—as the report urges—to support an imaginative growth, à la Marshall Plan, for the under-developed areas, the areas which are a target of the Soviet economic offensive. The warning is very timely; however, apart from possible readjustments in the West, one point is worth making. Over the past five or six years we have seen how, in changed political conditions and under pressure from below, the Soviet leaders had to pay increasingly great attention to the people's needs. One cannot exclude the possibility that the pressure will go on mounting, and that it might force the Soviet leaders to redress the balance in their industry in favour of the consumer.

## Digest Reviews

### EXPANDING COMMON-WEALTH

*The Years of Challenge; The Commonwealth and the British Empire 1945-1958*, by Don Taylor. (Robert Hale; 25s.)

Mr. Don Taylor is a Scottish Highlander who ran away to sea as a boy and was a sheep farmer, a tramp and an airman before becoming a journalist. He has edited Manchester Weekly Newspapers, written leaders for the *Sunday Express* and been its Commonwealth Correspondent before becoming associated with *New Commonwealth*, which he now ably edits.

*New Commonwealth* is useful in helping to educate the business and wider world in the economic opportunities of this unique partnership of peoples. In this book its Editor describes in better shape and style than many journalists-turned-authors the dynamic post-war years in which—to adapt words of another Highlander, the present British Prime Minister—the sun may have been going down on the old Empire but has been rising on the New Commonwealth—no longer, Mr. Taylor insists, the British Commonwealth but “Our” Commonwealth, the possession of all its diverse members and certainly the present of no political party.

His survey has special value because so much has happened so recently that it is not always easy to recall the sequence of great events which have brought to sovereignty

within the Commonwealth Asian and African monarchies and republics. May it be much read not only in the Commonwealth, where there is widespread ignorance of a wondrous heritage, but in the United States which has often misunderstood its nature and thwarted its aims. To fulfil those aims and the ideals behind them the Commonwealth must be strengthened and unified, its resources developed; but, as Mr. Taylor shows, it already exercises a benign influence sometimes more real than apparent, and the dissolution of this grand society of nations which proves that nationalism and co-operation are compatible would dash the hopes of millions who owe it no allegiance.

*Commonwealth Trade with the United States—1948 to 1957*. (H.M.S.O.; 5s.)

In recent years the United States has taken 38 per cent of its merchandise imports from Commonwealth countries and has found a market in the Commonwealth for 35 per cent of its exports. The Commonwealth Economic Committee's study, *Commonwealth Trade with the United States, 1948 to 1957*, summarises the main features of this trade and examines the more significant trends and developments of the post-war period.

In 1957 Commonwealth countries supplied virtually all the United States' imports of newsprint, jute and whisky, about nine-tenths of the woodpulp and sawmill products,

roughly half the wool and non-ferrous metals and some two-fifths of the machinery and vehicles and of the iron ore. Similarly, Commonwealth countries took more than half the United States' exports of tobacco, about half the machinery and vehicles and well over a third of the petroleum and chemicals, as well as substantial shares of such important commodities as grain, other foodstuffs and cotton.

### ENOUGH OF BUREAUCRACY!

*Over-Centralisation in Economic Administration*, by Janos Kornai. Translated by John Knapp. (Clarendon Press: Oxford University Press; 32s. 6d.)

This is a critical analysis based on experience in Hungarian light industry. It concentrates attention on the shortcoming and faults of economic planning in a Socialist economy. It deals with the situation which existed in 1955-56, since when a great deal of change has taken place in economic administration in Hungary, which the author claims are in line with the proposals put forward in his book.

The author comments: “The working people have had enough of bureaucracy. The working class definitely demands a change for the better in our methods of economic administration”. A comment which may well be true of people both sides of the iron curtain.

### BOISTEROUS YEAR

1764 *The Hurlyburly of Daily Life. Exemplified in One Year*

*of the Eighteenth Century*, by Jack Lindsay. (Frederick Müller; 25s.)

Mr. Jack Lindsay, biographer, historian, and historical novelist, has had the conceit of putting between covers a wealth of varied quotations and events, droll, dramatic and commonplace, which occurred within a single year. It is as though an eager clipper of newspapers had allowed his scissors to run through the gamut from Court page to Court cases, politics to perversion and presented the amalgam as the portrait of the year. They do this kind of thing on the radio. It is most entertaining and there is scarcely a dull page here. But the story is as accurate, and as incomplete, as a public opinion poll. It is rueful to reflect that there are still footpads in Ley-

### BREATHING SPACE

*The Enigma of Menace*, by Air Marshal Sir Victor Goddard. (Atlantic Books, Stevens; 12s. 6d. in the U.K.)

Since theology was dethroned by philosophers and scientists—at any rate in their eyes—the apparatus of religious discussion has become as inexact as much of what Sir Victor Goddard calls “orgauized Christianity” has become chaotic.

Thus his argument will sound strange to many believers and would indeed have been more clearly expressed in the light of what historic Christianity has taught about war, just and unjust, and the claims of Caesar and of God. Yet Sir Victor



reaches many right and important conclusions and his constructive view of the *pax atomica* as the prelude to richer human fulfilment, and of the United Kingdom, as a nuclear power and "a stabilising influence in a fermenting world", should be considered by those earnest well-meaning people who would ban the British bomb.

#### BACK TO BELLE ISLE

*The Invaders; a Novel by Michael Gaunt.* (Hodder & Stoughton; 15s.)

This sequel to *Belle Isle* is at least as good and will be widely enjoyed. Mr. Michael Gaunt has an intense style of writing, almost breathless, which sometimes assumes a little too much in the reader. He has a real sense of history, free from pretentious or irritating archaisms, though as his hero, David Hepburn, is a Captain of Marines, Mr. Gaunt might have told us more about their part in an expedition emblazoned on their regimental record.

#### PIONEERS

*Glory, God and Gold, by Paul I. Wellman.* (The Fireside Press; 18s.)

The author of *Death on the Prairie, Death on the Desert* and *The Trampling Herd* has now produced a worthy follow-up in a new book which gives a lively and interesting account of the pioneer days of the Western and South-western States of America. This narrative covers the years between 1540 and 1758. It tells of the lives and deeds

of Indians, Spaniards, French and Mexicans who fought and struggled to establish supremacy in this rich territory. Mr. Wellman has the gift of making history come alive and maintains the high standard of his previous books.

#### AMBASSADORS TO AFRICA

*Race Relations in Industry and Commerce. The Joint East and Central African Board. Foreword by the Rt. Hon. Earl de la Warr, P.C., G.B.E.*

Tactfully presented, this brochure contains helpful hints and constructive ideas for those who by their conduct and character will help make or mar their country's endeavours in Africa. The remarkable Christmas broadcast of 1958 by Sir Arthur Benson, K.C.M.G., Governor of Northern Rhodesia, on white-black harmony and co-operation and a Message from Sir Arthur Kirby, K.B.E., C.M.G., Commissioner for East Africa in London, bringing out the remarkable agricultural and commercial revolution among Africans in Kenya, are printed as Appendices.

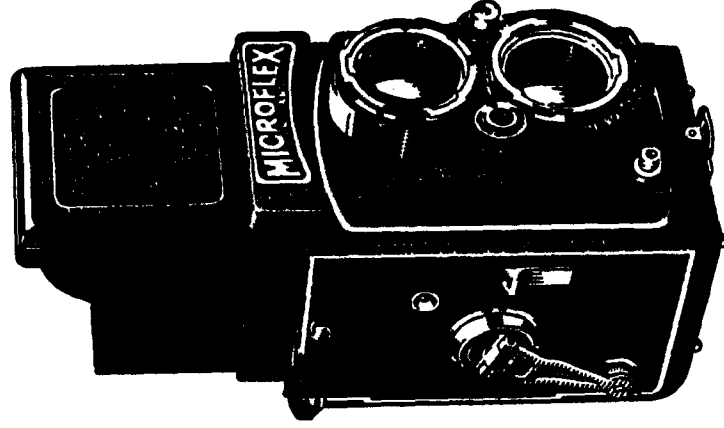
#### SHORTER NOTICES

*Economics in Action, by Harry G. Brainard.* (Oxford University Press; 45s.)

This useful textbook by the Associate Professor at Michigan State University provides the student with the basic tools of economic theory. Part I deals with the general background and the following sections cover production and pricing policies; production stability and econ-

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omic growth; American and World Economy.

*The Economics of Money*, by A. C. L. Day. (Oxford University Press; 7s. 6d.)

This is a useful and up-to-date introduction to the workings of the financial system. It is suitable both for the intelligent lay-man and the student.

*A Simple Guide to Shareholding and Company Accounts*, by John Wood. (Putnam; 10s. 6d.)

This little book is written specially for those with little or no knowledge of company finance and who want to know how to invest their money to the best advantage. Chapters deal with buying shares, understanding a company balance sheet and similar questions.

#### 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).

#### U.S.S.R.

*A Plan for the People*, by Victor Zhukov, M.Sc. (Econ.). Soviet Booklet No. 52. 6d.

An account of what the Soviet citizen expects to gain from the 7-

*Britain's Duty*—continued

lems are more those of administration—of distributing wealth rather than merely amassing it.

*The Trade Cycle*, by R. C. O. Matthews. (Nisbet; Cambridge University Press; 12s. 6d.)

This is the latest volume in the Cambridge Economic Handbooks series. It seeks to bring the reader up-to-date with the present state of thought on the phenomenon of the trade cycle.

*Oxford Economic Atlas of the World*. (Clarendon Press; Oxford University Press; 42s.)

This is the second edition of a very useful Atlas of the World prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press. It has been revised and expanded and gives a wealth of statistics and information on production trends which now include those of the U.S.S.R.

Year Plan. (1097)

*What Soviet Citizens Get Besides Wages*, by A. G. Zverez, D.Sc. (Econ.). Minister of Finance in U.S.S.R. Soviet Booklet No. 54. 6d. (1098)

#### BRITISH EXPORTS

*British Exports and Exchange Restrictions Abroad*: Swiss Bank Corporation.

The 13th edition of a Handbook which lists restrictions and regulations applying to merchandise shipped to various countries of the world. (1099)

Narrow party interests are no longer the be-all and end-all; but the uniting of nation with nation.