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## Digest Spotlight focuses on

### M. Michel Debré

PRIME MINISTER OF FRANCE

GRANDSON of a rabbi, son of a celebrated Paris doctor, Michel Debré is a fervent French patriot and an admirer and close follower of General de Gaulle. Doctor of Law, *Maitre des Requêtes* at the Council of State, he was before the war in the *Cabinet* (private office) of M. Paul Reynaud when the latter was Minister of Finance.

Mobilised in 1939, he served as a cavalry officer and became a prisoner of war. He escaped to Morocco where he worked in the Resistance with M. Monick. Back in France in 1942, he was appointed Deputy to the Representative in occupied territories of the French Committee of National Liberation. It was to him that the task of appointing the new "Préfets", those key representatives of the Government of the Republic in the *départements* of France, fell after the Liberation. In August 1944 he was appointed Commissioner of the Republic for the Angers area. In April 1945 he was attached to General de Gaulle's *Cabinet* and was entrusted with the preparation of administrative reforms and with the drafting of the Statutes of the *Ecole Nationale d'Administration* and of the Institute of Political Studies.

M. Debré was then appointed to the Government department dealing with Austrian and German questions, with special responsibility for economic problems connected with the Saar (1946). In 1947 he became Secretary General of this department.

M. Debré has been Senator for Indre-et-Loire since 1948 and has

been chairman of the pro-Gaullist Social Republican group in the Upper House.

As a member of the Consultative Assembly of the Council of Europe and of the Assembly of the European Coal and Steel Community, M. Debré eloquently advocated a greater Europe of sovereign nations to include Great Britain. He has been a stern critic of British but even more of United States foreign policy. But neither in speech nor in writing did he spare the corrupt influences of the Fourth Republic. He founded a weekly aptly called *Le Courrier de la Colère* and his books include: *Refaire la France* (1944); *Demain la Paix* (1945); *La Mort de l'Etat Républicain* (1947); *La République et son Pouvoir* (1950); *La République et ses Problèmes* (1952); *Ces Princes qui nous gouvernent* (1957). He reads much and has a penchant for Machiavelli. He is also an amateur musician.

As Minister of Justice and Keeper of the Seal in the Government formed by General de Gaulle on June 1st, 1958, he played a major part in the drafting of the French Constitution adopted by the French people at the Referendum held on September 28th, 1958.

M. Debré is an officer of the *Légion d'Honneur* and holds the *Croix de Guerre* 1939-1945 and the Resistance Medal.

Only forty-six, a person of charm and courage, France has in Michel Debré a leader of power and promise.

## The New France

A Dispatch from ROBERT SENCOURT who is visiting France—on both sides of the Mediterranean

WHEN the old French Government fell on May 13, 1958, the ostensible reason was that the Army would not accept liberal ideas for Algeria; but the real reason was that the French people had an instinct that they must confront reality and ignore the endless political manoeuvres which for eleven years had made France incapable of facing her difficulties.

The greatest of them was that she was insolvent. Practically every class in France was living better than its equivalent in other European countries; and at the same time the country had been almost continuously at war since 1945. The war begun in 1939 in fact went on for another five years till the conquests of Communism in Europe were completed by victories still more sweeping in the Far East. There Moscow found that Roosevelt's country had changed into its enemy. But, more important, Communism could there work towards the ruin of France through a bad régime in Indo-China.

Even when that affair was settled—and not to the advantage of France—there remained Algeria and its immense drain on French finances. That is the problem the Army turned to de Gaulle to settle and which he has still to settle.

It is at present on an *entente* not with England but Germany that French policy is based, with prospects of succeeding. Hitler's Germany learnt from Schacht the secret of the

new productive credit system, and, after the crash of the Third Reich, it adapted its banking, and its production, through the new factories it owed that vindictive demagogue, to what it had learnt from his rise and fall. Italy, under the Government of experts which has ruled for the fourteen years since the war—one party has stayed steadily in power—has obtained a like result. Inflation has been arrested, and the country's income steadily increased. France has been kept behind these two neighbours by the party intrigues in which the principles of 1789 reached their fatal consummation.

Now, however, she adapts herself to the Managerial Revolution. In so doing, she finds immense and indeed unsuspected reserves at her disposal. Once her people feel that the franc is solid (or, as the new word is, *heavy*) then they will bring out their buried treasure. With this at the disposal of the new mechanisation, with oil in the Sahara, comes completion of that co-operation with Germany which was inaugurated in the S.E.C.A. (European Coal and Steel Community) and has been functioning successfully at Luxembourg.

The present policy of the Six is to lead that policy to its conclusion and make in Europe the unity of which the two Napoleons dreamed. France, however, cannot now take the lead. She must follow the lead of Germany.

Under de Gaulle this is being done with gestures almost imperial, but he must perforce work through the people with more experience of the present world. His Foreign Minister, M. Courve de Murville, is an experienced diplomat and, more important, his Finance Minister, M. Pinay, \* has a thorough understanding of finance. The report of M. Rueff's expert committee revealed the inflationary dangers which have prompted these measures of 'verity and severity'.

At last there is a government in Paris strong enough to do what the experts prescribe. The future is there-

fore one of hope. But it is a hope that depends on the general welfare of Europe and also on the character of the French people.

It is plain that Great Britain will have to re-think her relation both to Europe and to the English-speaking world. She must adapt her mentality to that of a Western Europe whose leaders are now economists having more regard to those principles of solid economy and of European solidarity which Benedict XV recommended in vain in 1917 but which have gradually come into their own under the pressure of recent affairs.

\*'Digest Spotlight' was on M. Pinay in our July issue.—JOINT EDITORS.

## Et Dona Ferentes

From a speech by M. PAUL-HENRI SPAAK, Secretary General of N.A.T.O.

I AM convinced that the future of Western economic policy towards the under-developed countries does not lie in gifts or presents, or in a certain form of assistance which, whatever precautions are taken, always has a slightly superior and paternal character. Our future economic policy towards the under-developed countries must be, like that of the Russians, a policy based essentially on trade relations; but the free world is not, at present, equipped to undertake these negotiations or this policy in an efficient and effective manner. We have a great many economic organisations and it is quite unjust to deny the efforts which have been made so far; it is both unjust and stupid. These economic

bodies, however, are too perfect, their economic concepts are too absolute and, I fear, they are not sufficiently inspired by political thinking.

What we in the West lack, at the present moment, is a body which would consider all economic problems from both the political and economic angle, as the Russians are able to do.

I do not even think that N.A.T.O. should be this body, for the needs in this sphere exceed the limits of our Atlantic Alliance, but it is certainly in N.A.T.O. that we should define the policy which, one way or another, should be applied by other bodies more suited to the task.

## The Dollar Under Pressure

### (1) THE \$35 BARGAIN

AS Mr J. S. Crossley put it in his address to shareholders of Barclays Bank D.C.O., even a seemingly impregnable dollar could hardly stand up indefinitely to losses on the scale of recent months. In the first eight months of 1958, U.S. gold losses amounted to more than \$1,750,000,000. During July and August, when the seasonal pattern usually favours the dollar, the official gold stock fell by over \$300,000,000.

To quote Mr Crossley again, it is not only the fact that the dollar appears overvalued in terms of other currencies that causes uneasiness, but that its internal value has continued to decline during a period of business recession. The gold losses are a reflection of the strain to which the dollar is subjected by these factors. Something has to give way and until they are counteracted the outflow is likely to continue.

While the U.S. gold reserves may be adequate to cover foreseeable contingencies for years to come, the fact remains that the dollar, despite its strong gold backing, has effectively been devalued to such an extent that American industry is becoming increasingly worried at the prospect of being priced out of world markets as a result of continued inflation. Whatever substance there may formerly have been in the reason officially given for keeping the price of gold pegged at the present level, namely the need to maintain a sound currency, that argument has lost its force. Gold at \$35 an oz. has become the biggest bargain in the world.

### Help to the Free World

By realistically recognising that the value of the dollar is no longer what it was and adjusting the price of gold accordingly, the monetary authorities could retard the outward flow of gold, restore confidence in their own currency, and give a new lease of life to the U.S. gold mining industry, which through no fault of its own has been such a sadly wasted asset in recent years. A higher price of gold would also benefit South Africa, Canada, Australia, and other producing countries. In so doing, it would give Free World trade the shot in the arm which would enable it to throw off more rapidly the after-effects of the recession.

Outwardly, the idea of increasing the dollar price of gold appears to be more heavily frowned on in official quarters than ever before. Can it be that the frown is one of perplexity, asks Mr Crossley, who goes on to point out that, if a continuation of present trends were to bring this about, it need not be regarded as an unmitigated disaster. It has happened before and will no doubt happen again.

### Need Not Be Inflationary

As pointed out by Mr H. C. Koch, president of the Transvaal and Orange Free State Chamber of Mines, an increase in the dollar price of gold need not have an inflationary effect or one that could not be kept within control. Such limited inflation as might occur would be incidental

From *The Mining Journal*, December 12th, 1958

to the success of the measure in achieving its designed object of countering recession and restoring easier conditions.

The argument for selective aid takes insufficient account of the added capacity of the U.S. to continue with dollar aid, which would result from the upward revaluation of her own huge stocks of monetary gold.

As for the question of Russian stocks, Mr Stefan Rundt, a foreign trade consultant, recently told the National Export Traffic League in New York that the Soviet Union had

more than \$8,000,000,000 in gold and was adding to this stock at the rate of \$1,000,000,000 a year. The accuracy of this statement can only be a matter for speculation. Mr Koch's view is that Russia's gold stocks are probably not as great as some estimates put them, and must at all events be considerably smaller than those of the U.S. In any case it seems a curious argument, as he put it, that the Western World should be denied a simple corrective to its current economic difficulties for fear that the beneficial effects would also be extended to Russia.

## (2) THE U.S. GOLD POSITION TODAY

The dollar remains an exceptionally strong and desirable currency. As has been pointed out, gold certificate reserves at the Federal Reserve Banks in excess of their legal reserve requirements still stand at the princely sum of \$8 billion.

To be sure, the United States, as an international banker, owes foreigners more in dollars than it holds in excess gold reserves. But, while the U.S. is a debtor on short-term account, on long-term investment it is a creditor. U.S. long-term investments abroad exceed by about \$35 billion the foreign investments in this country.

### No Run on the Dollar

As has already been noted, gold bought this year by foreign countries as a whole has been purchased with currently acquired dollars, not by drawing down existing short-term dollar assets. Actually, foreign short-term dollar holdings have continued to increase. This is another way of

*From the First National City Bank Monthly Letter, New York, December, 1958*

economic and monetary stability and thus prevent—by deeds, and not by words alone—spread of doubts concerning the assured maintenance of dollar stability.

The fact that excess gold reserves are still so far above minimum requirements gives time—but not indefinite time—to repair policies that hurt trust in the dollar.

## (3) INTEGRITY OF THE U.S. DOLLAR

HE asserted that he had found this attitude during a recent trip to the Far East. Describing it as a serious matter, he added that it was not something that could be lightly passed over in the hope that it would go away. He mentioned that there was a belief abroad that American goods were being priced out of world markets and went on to recall that the same kind of talk was directed at Britain a year or so before she devalued the £.

*Extract from The Statist, December 27th, 1958*

### Deeds not Words

Because of the strategic importance of the United States and the dollar, foreign bankers, businessmen and investors are—understandably—watching how we handle our monetary and fiscal affairs. What counts is the determination of the United States Government and of the Federal Reserve System to safeguard

It is interesting to note that the American authorities are at last awakening to the comparatively serious implications of the fall in the dollar's international standing. In an address delivered in Chicago a little over a week ago, the chairman of the Federal Reserve Board, Mr William McChesney Martin, pointed out that an important segment of world opinion had begun to question 'the fiscal and monetary integrity exemplified by the American dollar'.

## Convertibility—A German View

A MOVE to introduce convertibility as such is no panacea. It is one thing to return to the convertibility of currencies and another to defend the stability of money, as a pre-requisite of real convertibility. Therefore, the bold moves taken by so many European nations at the eve of 1959 will have to be steadfastly followed and implemented by sound economic, fiscal and monetary policies at home. Without such economic, fiscal and monetary discipline, it is hard to see how the free nations could possibly keep to the course now adopted and progress still farther towards the ultimate aim of full convertibility.

Nevertheless, Europe has tremendously widened the scope of its foreign trade policy. By the very step towards convertibility, it has raised its sights from purely European and restricted solutions towards worldwide economic integration. It can be expected, therefore, that the Common Market countries will be definitely interested in merging that market as widely as possible with all free markets of the world, and in keeping their customs union free from unnecessary bureaucratic interference and from economic isolationism. Europe, in short, has voted for world-wide solutions.

*From Economic Report from Germany, published by Deutsches Institut, January 5th, 1959*

## First Consequences of Convertibility

From 'The Statist' Zurich Correspondent

December 29, 1958. From the outset in 1950, the E.P.U. was meant to be only provisional in character, designed to enable the 17 member countries to settle multilaterally current accounts in trading with one another during the period in which the economy of Europe was recovering from the devastation wrought by war.

The E.P.U. accounts were kept in a unit called 'the accounting dollar'. For the purpose of settling claims among one another, each country had to fix the parity of its own currency in relation to the dollar or to gold. Countries whose trading in any given month showed a net deficit as regards the group as a whole, had to settle partly by making a payment in gold but, for the rest of the deficit, obtained credit automatically and could go on doing so until the aggregate amount of credit reached the quota fixed for each country when the E.P.U. began.

Apparently this system worked very well. The expansion of trade among the 17 member countries of the O.E.E.C. was far greater than had ever been expected, simply because, for the time being, the problem of making payments had been solved. But the usefulness of the system had definite limits. Some countries were soon in debt to the E.P.U. for more than the amount of the quota fixed. Other countries had soon granted credit to the full amount allowed by the quota.

Had the terms of the original agreement been adhered to rigidly, the rapid development towards nor-

From *The Statist*, January 3rd, 1959

mal economic conditions being made by some countries would have been arrested, while in others—for example, Germany—the expansion of export was imperative for the absorption into the economic process of unemployed workers increased continuously by immigration from the east, and the grant of credit on a scale far beyond what had originally been planned was preferred as the lesser of the two evils.

### Deficit with Dollar Group

Sooner or later, however, the provisional E.P.U. arrangement was destined to outlive its usefulness. One reason was that in legitimate trade the E.P.U. as a whole was in deficit with the countries of the dollar group—chiefly the U.S.A. and Canada. As long as the U.S.A. spent vast sums in dollars in maintaining armed forces in Europe, the economic convalescence of Europe could go on undisturbed by the dollar deficit in trade, especially after the decision was reached to convert the European Coal and Steel Community into a complete customs union known as the Common Market of Six, accounting for more than two-thirds of the consumers of West-Europe. American capital on a very large scale flowed into Europe for permanent investment chiefly in the countries of the Common Market of Six, for example, to set up subsidiaries, especially after the Rome Treaty of March 25, 1957, established the legal basis for the new customs union.

This provided Europe with dollars

enough to cover the deficit of the E.P.U. with the countries of the dollar group and, over and above that, to permit the accumulation of gold by the central banks of many European countries and so strengthen the currency reserves of most of the countries of the O.E.E.C.

So much so that many O.E.E.C. countries began seriously to consider the return to convertibility, the avowed aim of all members when the E.P.U. was formed to tide European countries over the period of economic recovery. Great Britain was at first reluctant, because of the failure of the first attempt to restore convertibility. But as far back as 1955, Great Britain was prompted to propose that the change-over to convertibility should be made and the E.P.U. dissolved.

### European Monetary Agreement

Switzerland was foremost in opposing the step. As the Swiss franc was already fully convertible and the E.P.U. only a provisional expedient, the negative attitude of Switzerland was sharply criticised. By way of compromise, the seventeen O.E.E.C. countries signed and ratified the European Monetary Agreement to be kept in readiness for the change-over to convertibility as soon as the aggregate credit quotas of those members making their currencies convertible exceeded 50 per cent of the total of all quotas.

As it turned out, this compromise was exceedingly fortunate because, in 1956, the Suez crisis, whose consequences could not be foreseen, burst. One outcome was the hastening of the decision to create the Common Market of Six, constituted by the Rome Treaty of March 25, 1957. Obviously a customs union embodying more than two-thirds of the

consumers of West-Europe could not function for long as projected unless investment capital were able to circulate freely within its confines. The first step towards achieving this in practice was clearly to make the currencies of all six member countries convertible among one another. Nobody could deny that, before the Common Market of Six became a practical reality on 1.1.59, the rate of exchange of the French franc would have to be brought into accord with reality so that convertibility in all six countries of the Common Market would be feasible.

So far, so good. At least from the standpoint of the countries of the Common Market of Six. But the monetary problems of Europe will be far from solved by the change-over to partial convertibility, however great the advantages will be.

After the parities of the seventeen O.E.E.C. countries were fixed after World War Two, the price levels moved out of alignment with the rates of exchange. This is one reason why in different countries prices for the same commodities and the general cost of living vary so much. A rough adjustment to rectify the distortion was made in 1949 when sterling was devalued by 30.5 per cent, that of Holland by 30.3 per cent, France by 22.3 per cent, West-Germany by 20.6 per cent, Belgium by 12.3 per cent and almost all other countries by comparable amounts. Switzerland did not change the gold parity of the franc, preferring to adjust her price levels.

Since 1949, the trend of prices in the different countries has been so divergent that price levels are again out of alignment with the official parities used in making multilateral settlements at the E.P.U. Before economic soundness throughout

Europe can be achieved, the rates of exchange of the various currencies will have to be brought into alignment with price levels. This will be most urgent of all among the countries of the Common Market of Six. No doubt there were cogent reasons why this was not done at the change-over to convertibility. Besides the realignment within the O.E.E.C. group, however, a similar adjustment between the O.E.E.C. group and the countries of the dollar group will become more and more urgent in order to place world trade on a solid foundation.

#### Elimination of Inflation

Obviously, however, no realignment of price levels and rates of exchange would be effectual for long until inflation had been eliminated. Otherwise the divergence of price levels would start all over again. Only when inflation has been eradicated could a durable adjustment be made between the countries of the O.E.E.C. on the one hand and those of the dollar group on the other. To achieve permanency in the relationship of price levels to rates of exchange between these two great groups, a rise in the dollar price of gold would be essential. In the last resort, as from time immemorial, gold remains the ultimate measure of all economic values. Beyond doubt, a rise in the dollar price of gold would have wide inflationary effects while adjustments were taking place, but these would be minimised if the soundness of the individual economies of all the O.E.E.C. countries and all the countries of the dollar group were achieved first.

With the dissolution of the E.P.U., the necessity will arise for an arrangement whereby the balances of the member countries are consolidated.

These balances are obligations among governments. At the December settlement Germany, for example, had claims against other O.E.E.C. governments aggregating \$994.5m., while France owed the other E.P.U. countries altogether \$476m., Great Britain \$353m., while Switzerland and Sweden had neither claims nor debts. Settlements are to be made in dollars. After convertibility, settlements will be much easier to make. Claims against the E.P.U. have hitherto, as a rule, been treated by creditor countries, as part of their note cover.

#### Monthly Settlements

By the provisions of the European Monetary Agreement of 1955, there will be no automatic grants of credit as heretofore. Every country is under the obligation to settle its accounts monthly in dollars or gold. To make provision for emergencies when countries find themselves in balance of payment difficulties, a fund of about \$600m. is to be made available for the grant of short term credits. Repayment is due within two years. Of this amount, about \$300m. will be provided from the amount originally placed at the disposal of the E.P.U. by the U.S.A. and about \$300m. contributed by the O.E.E.C. countries themselves. Great Britain is to find \$86.6m. of the total amount, that is 26.4 per cent, France \$42m. 12.8 per cent, Germany \$42m. 12.8 per cent, Italy \$15m. or 4.6 per cent and Switzerland \$21.0m. or 6.4 per cent.

Admittedly, this would be too little to meet all possible emergencies. Provision is to be made for the availability of greater resources. From the last E.P.U. accounts recording the state of affairs at November 30, 1958, it would seem likely that the Euro-

pean Fund, as it is called, should amount to at least \$1,000m.

From now onwards, the O.E.E.C. organisation at the B.I.S. Basle will effect the multilateral settlement each month as heretofore, each debtor country making, and each creditor receiving, a payment in dollars or gold. If any country is unable to settle because of balance of payment difficulties, the competent body appointed by the O.E.E.C. will make a searching examination of the position of the country before granting a short term loan, fixing the amount and the terms in accord with the circumstances and, in certain cases, asking for a guarantee. Rates of interest will be fixed in accord with market conditions.

#### Dollars and Gold

As all settlements under convertibility are to be made in dollars or gold and as every country must be ready to buy or sell its own currency on demand, every O.E.E.C. country will be obliged to establish a parity between its own currency and gold.

For Switzerland and Sweden, the dissolution of the E.P.U. will require fewer readjustments than for other countries because neither is either a

debtor or a creditor. But owing to the fact that the gold equivalent of the dollar is fixed by the official gold price, namely, \$35 an ounce fine while the parity of the Swiss franc is fixed by law at 203 milligrams of fine gold, the parities of the dollar and the franc are linked. By the change-over to convertibility of other European countries, the relationship is disturbed. Owing to the dissolution of the E.P.U. the Swiss National Bank has had to change the upper and lower gold points within which the Swiss franc may be allowed to fluctuate. If market conditions are such that the franc-dollar rate of exchange would pass beyond these limits, the Swiss National Bank must intervene.

According to the old rate, the lower gold point was 4.28½ francs to the \$ and the upper gold point 4.46. The Swiss National Bank adjusted the rates to 4.295 and 4.45 respectively. The range of possible fluctuation is therefore more restricted than before. In Zürich on Monday, December 29, the dollar fluctuated between 4.31 and 4.33. The £, previously 12.24, was quoted at 12.10 to 12.15 francs. In future, dealings in sterling will be done chiefly in London.

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### Holidays—1959

**CONSTABLE'S COUNTRY**—Paying Guests welcomed from 11th July—attractive Mill House within reach of Sea—Suffolk border.—Apply Box 101, Economic Digest.

## Commonwealth Survey

### (1) INDIA—THE NEXT DECADE

*In August last, India celebrated her eleventh year of Independence in a sombre mood. This month she enters her twelfth year as a self-governing Republic within the British Commonwealth.*

*'Why freedom?' asked Mahatma Gandhi, and answered: '... So that the resources of my country might be utilized for the benefit of mankind. It is precisely the development of these resources for India's people that has created the present mood. For in their development she has been strained to the limit.'*

No one can deny that progress since Independence has been impressive. India is by far the most industrially developed nation in South and South-East Asia. But in the achievement of this a series of loans—more of which will be necessary to implement the Five-Year Plans—have ensured that the financial stresses and strains will last over the next decade.

At best, therefore, India's economic situation is likely to remain difficult for some time to come.

The recent loans granted by the World Bank, Britain, America, West Germany, Canada, and Japan, totalling £125 million, will only see her through until this March. Thereafter, there is a gap in foreign exchange amounting to over £200 million. More will be necessary to see the Second Five-Year Plan through.

#### Montreal

Reviewing the situation in the Lok Sabha (Lower House) on November 19th last, Finance Minister Morarji Desai referred to the recent Montreal Conference. That gathering agreed in principle that increased aid to the less-developed countries was imperative. It is reasonable to assume, therefore, that the countries participating in the Montreal Conference will be among the major providers of cash

*From Far East Trade, January, 1959*

to buy equipment for the various development projects, and in consequence will gather a substantial part of the business. Indeed, India will necessarily be obliged to lean heavily on such sources for aid.

But it is unlikely that anyone other than the manufacturer of capital and allied equipment can hope for business either during the tenure of the present plan or the third one, due to start in April, 1961.

#### Russian Aid

The Russian bloc contribution is not insignificant, however. While the West is concerned with aid to other territories, so limiting what is available for India, Russia, and Eastern Europe have taken up some of the slack. The willingness of these countries to accept payment in rupees and extend long-term credits is very attractive.

Russia herself has granted some £45 million in long-term credits for industrial projects, quite apart from the construction of the Bhilai steel plant. New proposals for the manufacture of drugs and pharmaceuticals will be financed from the same source to the extent of £6.75 million, and help for an optical glass plant is scheduled. Contributions from

Czechoslovakia and Rumania are also substantial.

#### Chemicals and Steel

Willingness to accept payment in rupees for goods and services supplied is an attractive principal, not only because there is no outlay, but because the country making the advance takes exports in return. It is in this field that traditional suppliers may, in time, feel the draught. Substantial purchases of chemicals and steel have been made in China, while Russia has supplied iron and steel and Czechoslovakia machinery on these terms. India's appetite for such products will grow over the next ten years. It will only be limited by

### (2) UNION GETS CONTRACTS FROM GHANA AND NEW ZEALAND

SOUTH African manufacturers have completed important contracts for fellow Commonwealth countries—Ghana and New Zealand—and for Cyprus.

Ghana placed an order in the Union for 15,000 traffic signs which were made in Johannesburg as part of Ghana's big road development programme. The material used was of high-grade aluminium alloy coated with black enamel. The luminium reflecting surface, instead of being stuck on in the conventional way, was heat-pressed on to ensure complete waterproofing. A second order

*From South African Progress (South Africa House), January, 1959*

### (3) THE DECIMAL SYSTEM

THE Union of South Africa's conversion to the decimal system may well be followed in the not far distant future by that of Australia and New Zealand. For both these countries are at present engaged on

*Extract from The Statist, December 27th, 1958*

foreign-exchange resources or the ability to get good terms.

Early in December, Mr Nehru hinted that the Third Plan would be very large. Even if it does not exceed the present one in size (Rs.4,800 crores), imports are unlikely to fall below the current level of close on £300 million a year. Even this figure excludes food, steel, and equipment for the defence services.

During the Third Plan, therefore, she is likely to call, for a start, for more foreign investment. For the rest, it is sales of capital equipment for development schemes, railways, ports, and utilities that offer the best prospects. The longer the term of the credits the better.

has now been placed in the Union. The New Zealand contract was for telephone cables valued at £145,000. The order included composite cable, one of the most difficult types to manufacture. The Cyprus order was for 4,000 steel pipes for a project in Nicosia. The pipes were made to a British specification in Cape Town.

Details of these and other contracts are given in the *Standards Bulletin*, issued by the South African Bureau of Standards, in whose laboratories exhaustive tests were carried out on all these contract items.

a study of the possible advantages of the introduction of a decimal basis. And they may well be won over, as the Union has been, to the view that such a change was desirable. (Although the notion that it would be politically

a good thing to get away from a pound system may have played some part in the Union's decision, it seems probable that this was largely prompted by the belief that the Union would profit economically from the change in the longer-run.) If these two countries abandon their present systems, the United Kingdom will become a non-decimal island in a decimal-minded world. For only this country and a few of the Common-

wealth dependencies that have been given pound, shilling and pence currencies by their British rulers in the past would then be operating a non-decimal system. It could be said, therefore, that the Union's decision makes it essential that the U.K. should start an investigation of its own into the advisability of embracing the decimal for currency purposes.

#### (4) AUSTRALIAN BANKING LEGISLATION

THE Federal Government will re-introduce its bitterly contested banking legislation after the new Commonwealth Parliament meets on February 17th.

Designed to re-group the functions of the Government-owned Commonwealth Bank, the legislation was defeated twice by the Labour Opposition in the Senate last year.

Now the Government has control of the Senate as a result of the recent General Election.

The main objects of the legislation are:

(1) To separate the Central Bank from the present Commonwealth group of banking institutions and to reconstitute it, together with the Rural

*From Australian News and Information Bureau, January 8th, 1959*

#### (5) ECONOMIC RESEARCH INSTITUTE IN NEW ZEALAND

New Zealand is to have an Institute of Economic Research. It will be an independent body working on a wide national basis and conducted primarily for the benefit of those engaged in private enterprise.

This was announced by the interim executive committee, which has been promoting the scheme and which, at a recent meeting, decided that sufficient support had been forthcoming from the business community to enable the proposed institute to pro-

ceed to incorporate almost immediately.

A constitution has already been approved, and early this year private firms and institutional contributors who have given their support will be asked to elect a board of trustees to control the institute.

The incorporation of the Institute will be the culmination of a drive initiated and encouraged by Victoria University of Wellington.

## The Afro-Asian Economic Conference

AN objective assessment of the labours of the conference cannot fail to highlight its practical decision to provide the mechanism for concerted endeavour. The Afro-Asian Organisation for Economic Co-operation to be set up in pursuance of this decision is to have an apex agency in the form of a council composed of the representatives of the national chambers of commerce of the various countries. It is to meet every two or at least three years. The charter of the Organisation is to be prepared by the consultative committee of eleven countries nominated for this purpose. Apart from this major achievement, other measures to be implemented in course of time to foster increasing collaboration have been indicated. Emphasis has been placed on study groups to carry out scientific investigations into the regional problems of trade, payments, insurance, transport and communications facilities, and so forth. Associations of countries producing raw materials and semi-manufactures as their staple exports are to be fostered to safeguard the interests of the producing countries in international trade or agreements affecting them. The more advanced and industrialised countries of the region have been enjoined to extend co-operation and to supply technical know-how to the rest of the fraternity. The chambers of commerce have been asked to urge upon the governments of their countries to implement the Bandung proposal for setting up the special fund to facilitate exchange of technical aid and co-operation. A few other resolutions which exhort the governments to co-

ordinate their economic policies in common spheres in a broad manner indicate the direction of future co-operation.

### Inward and Outward

Economic pressures influencing the trend towards regional collaboration in the recent past have brought the Afro-Asian countries on this platform. It would be an error to identify the decisions taken at the Cairo conference with mere expressions of the aspirations of these countries. Because the initiative is taken by the national chambers of commerce, it inspires confidence that the task imposed by the decisions will be followed up. The Colombo Plan has demonstrated the possibilities of under-developed countries to contribute according to their mite to the common effort of exchange of technical assistance and economic co-operation. The countries of the region have opportunities of expanding intra-regional trade by conscious effort. India is vitally interested, like the rest of the participants, in satisfying the present requirements of her import and export trade in raw materials as well as manufactured goods from the region in increasing quantities. It is unquestionably true that all under-developed countries have to lean heavily in the years to come on the industrialised countries for the supply of capital equipment, technical expertise and development finance. But an organisation for Afro-Asian co-operation holds positive potential to promote internal interests without ceasing to be outward-looking.

*Extract from The Eastern Economist, December 19th, 1958*



## A Commonwealth of the Americas

GREAT ideas need landing wheels, as well as wings. A distinguished South American editor, Pedro Beltran, editor of *La Prensa* of Lima, has advanced an idea which we believe will grow in importance over the years. But it will need a very sturdy set of landing wheels to bring it about.

In essence, Beltran's idea is for an 'American Commonwealth', in fact if not in form. Ideally, if it could be developed, this commonwealth would subordinate selfish national interests to the greater good of the whole. It would recognise that this hemisphere is, or should be, indivisible; that it has much greater reasons for unity than for dispute, and that wisdom and vision can weld, out of this unity, a complex of 300,000,000 people far stronger in manpower, in economic strength, and in its appeal to humanity's instincts for freedom, than any combination of men and resources which the Soviet Union can possibly muster against us.

### U.S. Capital

Such a concept would take it for granted that American capital, both private and public, must supply the sinews to develop the retarded economies of Latin-America, which are now about where ours was in the nineteenth century. But it also would

*From New York Herald Tribune, October 22nd, 1958*

### ADVICE TO THE CHANCELLOR

THE task of a statesman is to listen to his professional advisers on economics, political machinery and finances and then to add his own touch of instinctive flair. The instinct one would like to inculcate into Mr Amory for the next three months can be expressed in a single sentence. There are largely un-economic, wholly unstatistical, partly illogical but nevertheless plausible reasons for suggesting that every pound's worth of income tax relief this year would bring less risk to sterling than every ten shillings worth of reflation made in any other way.

*Extract from a leading article in the 'Economist', January 17th, 1959*

take it for granted that these investments, once they bore their long-term fruit, would create far greater markets for all U.S. industries, as well as enlarging Latin-America's own. And such a concept would take it for granted that the U.S., in its meeting of internal problems, must become as mature as Great Britain, which puts the health of the Commonwealth superior to the distress of domestic industries, such as textiles. Only such a maturity can prevent a recurrence of the distressing anomaly to which Senor Beltran points, the placing of quotas on Latin-American exports at a very time when the Ministers of these nations were signing formal communiqués of solidarity with the U.S.

### Broader Action

Of course, none of these problems can be whipped overnight. But a recognition that the stability of supplier nations' markets requires a broader action than the caprice of supply and demand, can go a long way to setting the machinery in motion to cope with these complex problems. Not for years, and perhaps never, would the kind of economic commonwealth dreamed of take its being, but the vision which lies in Beltran's dream is one of grandeur.

## Rural Economy

### (1) THE FARM VOTE IN BRITISH POLITICS

#### Could Play a Decisive Part at General Election

By JORIAN JENKS

FIFTY years ago, urban radicals could argue without undue exaggeration that the rural vote was as much in the pockets of the great land-owning families as it had been in the days of the rotten boroughs before the Reform Acts. Today, such a complaint would have little foundation. The power of the rural landowner has been whittled away by the cumulative effects of high taxation, low rents and mounting maintenance costs, as well as by much legislation affecting landlord-and-tenant relationships. At the same time, the popular press, the radio, and now television, have carried new political ideas into every cottage.

Detached from its former anchor-age, the farm vote has developed possibilities which no political party can afford to ignore. In which direction is it most likely to be attracted? On present showing, the best answer would be—the industrial trades unions.

At first sight, such an affinity seems hard to explain. Farmers and farm workers cannot afford to provide the cheap food which urban wage-workers are traditionally alleged to demand; nor are they prepared to accept without demur earnings that always seem to be substantially less than those of their industrial counterparts, whose products and services they have to buy at rising prices. The trades unions, for their part, must be well aware that the total farm vote (including dependents) cannot greatly exceed 1½ millions, while their own

potential strength must be ten times this figure. The farm vote, moreover, is so scattered, and so intermingled with other occupational interests, that it is doubtful if any constituency could accurately be described as 'agricultural' in the sense that some can be classified as 'mining' or 'textile' or 'residential'.

#### Decisive Factor?

Why, then, should Labour Party leaders be at such pains to devise agricultural policies that will appeal to the farming community and—which is equally important—to persuade their urban and industrial supporters that such policies are worth the concessions they entail? The short answer is that the farm vote might quite conceivably determine which party wins the next General Election.

With the two largest political parties as evenly balanced as they are now, and with Conservative prospects somewhat obscured by increased Liberal intervention, the outcome of that Election might well depend on the returns from a few marginal constituencies. In the present House of Commons, some 88 seats are held by virtue of majorities of less than 2,000 votes at the last General Election or by-election. Of these 88, 48 are held by Labour; but in the case of those with a rural element among their electorates, 17 out of 28 are held by Conservatives, and one by a Liberal. In East Anglia and in the south-

western counties, in particular, there are virtually no 'safe' seats left; and it is noteworthy that the only constituency lost by the Conservatives at the last General Election was S. W. Norfolk, which was re-captured for Labour (by 193 votes) by the late Mr Sydney Dye, a local farmer.

#### Free Trade Conservatives

Among country folk, political allegiances are not lightly given or abandoned; they tend, moreover, to be personal. So long, therefore, as the Conservatives seemed more likely than either Labour or the Liberals to exercise restraint over the imports which have always been the bugbear of British agriculture, and could also produce good local (and preferably landowning) candidates, the rural vote remained predominantly Conservative.

But the Conservative Party of today—in the eyes of the countryman at any rate—is as deeply committed to Free Trade and unregulated imports as are the Liberals, and is even more likely to put up 'imported' candidates with few local or agricultural associations. It is widely, if not altogether justly, suspected of trying to whittle away and eventually repeal of Part II of that Act, which contained the disciplinary clauses, evoked singularly little applause from the farming community; and its replacement of fixed guaranteed prices by a complicated system of deficiency payments has not only increased costs to the taxpayer but has made these costs appear in the national accounts as outright subsidies to agriculture.

In short, it has given farmers a form of 'liberation' for which they never asked, and a form of economic aid which has rendered them more

liable to public and political opprobrium. More recently it has given horticulturists (who get no price guarantees) considerable justification for thinking that their interests are regarded as expendable in the protracted bargaining with other European countries over tariffs and quotas.

#### Minister of Promise

Against these more obvious liabilities there can be set an asset of increasing value in the person of the present Minister of Agriculture, Mr John Hare. It is widely recognised that he has made a genuine attempt to improve the position of the small farmer who plays so large a part in British agriculture and whose rather meagre income is so hardly earned. The scheme itself has been criticised right and left. It will leave unbefitted a large number of intensive small producers, either because their acres are too few or because their labour utilisation is too high. It places far too much responsibility on an under-staffed and underpaid advisory service. It is to employ grants (subsidies again) where one would have thought that interest-free amortisable loans would have been more to the point; and it is to obtain funds for these grants by reducing *pro rata* the awards made to agriculture as a whole at Annual Price Reviews. But there have been many tributes to Mr Hare's courage and enterprise in tackling a problem which is patently beset with difficulties of every kind.

Even Mr Hare, however, is likely to weigh less in the electoral scales than Tom Williams, that most un-farmerlike personality who came from the trades union side of the mining industry to become, paradoxically enough, the most popular Minister of Agriculture we have had

for many years. This popularity, it is true, cannot altogether be divorced from the fact that it was during his term of office that the Agriculture Act was passed—as an all-Party measure. But he is a great asset nevertheless, and the Labour Party has acted wisely in affirming at every opportunity its intention of upholding the Act, even to the extent of re-establishing some of its provisions which Conservative Governments have modified or removed. Tom Williams it was, too, who, at the last Labour Party conference, laid the bogey of land nationalisation by informing his audience bluntly (and most effectively) that insistence on this doctrinal principle would ruin the party's chances at the next election, besides committing it to enormously costly and largely unworkable legislation.

Those who still feel sceptical about the prospects of agriculture going Labour may be tempted to see in the Torrington by-election a possibility of the countryside being swept by a Liberal revival. If that by-election was a fair sample, almost anything could happen. But was it? A West-Country community with a deep-rooted Nonconformist and therefore Liberal tradition, full of working farmers disgruntled by a sharp and unexpected cut in milk prices, was offered the choice of imported and not very informed Conservative and Labour candidates, and an intelligent young Liberal with a well-known name. The outcome should have

surprised no one who knew the circumstances. It can hardly be said to outweigh Liberalism's avowed attachment to the Free Trade cause, an attachment which has already caused it some embarrassment in dealing with agricultural questions.

#### Labour Woos Agriculture

On the face of it, Labour is making much the strongest bid for the farm vote. And this bid is the more likely to be effective because the farming community has drawn closer in outlook to the trades union movement than anyone would have thought possible twenty years ago. At bottom, agriculture is still instinctively Protectionist, attaching far greater weight to promises of economic security through guaranteed prices, organised marketing and import regulation—even at the cost of some regulation for itself—than to prospects of economic opportunity on a free market, even with governmental insurance against glut prices. It is not difficult to detect an affinity with trades-union emphasis on full employment, protection from undercutting, and expanding production.

Indeed, one could almost sloganise the situation by saying that, while the demand of commercial interests is for Free Trade, that of producing interests is for Protection. According as the political parties align themselves on this basic issue, so will they attract or repel the farm vote and win or lose the marginal seats where that vote matters.

**(2) FARMING AND THE COMMON MARKET**

BY A. A. HOOKER

PROVIDED all other competitive differences are harmonised, production should increase where natural factors are favourable and decrease where they are not. It should also follow that large units of production, economically managed, will gradually replace the smaller units.

This will undoubtedly create political problems, but if the pattern of the European Coal and Steel Community is followed, we may expect that the small cereal units will either be compulsorily absorbed by larger units or converted away from cereal production and compensated out of a central fund.

This process of rationalisation will result in greater specialisation with a probable overall increase in cereal production at reduced cost, thereby permitting a reduction in the aggregate producer subsidy.

There is, however, no doubt that the E.E.C. must remain a net importer of grain in the foreseeable future.

The position in 1953-1955 was as follows:

<i>Annual Average Trade in Millions of Dollars</i>		
Trade between the Six	Imports from Third Countries	Exports to Third Countries
70	792	171

It is reasonable to assume that the first figure will gradually increase and the second figure decrease, but it is impossible to guess what change there will be in the third figure without knowing the policy which will be adopted as regards subsidising exports. As the pattern of production develops, there may well be changes

within these figures affecting specific cereals and cereals of particular qualities.

If the general standard of living improves as expected, there will be a reduction in the *per caput* consumption of bread cereals and an increase in the consumption of cereals, the end product of which is meat or dairy products.

**Overseas Territories**

The integration of the associated territories overseas is not likely to have any marked effect on the cereal trade of the E.E.C., as an improving standard of living in these countries can be expected to result in an increase in bread consumption which will probably be met by increased production within those territories.

The trade in cereals between the six countries and their overseas territories in 1953-1955 was as follows:

<i>Annual Average Trade in Millions of Dollars</i>	
Imports from Overseas Territories	Exports from Overseas Territories
103	37

**Price Stability**

As is very well known in the grain trade, assumptions based on averages can be entirely upset in any particular season by abnormal climatic conditions, but I think we can expect that, once the agricultural organisation is fully developed, revolving stocks of grain will be built up with a view to forestalling such conditions, and stabilising prices.

The problem of 'stability' is receiving special attention in all modern economic planning and it is tacitly

assumed that the creation of a large economic block operating in the agricultural field will facilitate the solution of this problem, by eliminating the effects of the 'trade cycle', at least within the block.

It is, however, arguable, particularly in the case of agricultural planning, that programmes may be badly conceived or may be upset by unforeseen circumstances and when that happens in the case of a large inflexible unit the repercussions on the international market are often greater than would be the case if the units were small and more quickly responsive to changing market conditions.

**Trading with Third Countries**

As regards the methods which the E.E.C. will adopt for trading with third countries, nothing is yet known. The Stresa Conference produced certain resolutions in very general terms with regard to the need 'to preserve commercial exchanges and the contractual, political and economic links with third countries, and to retain the possibility of protecting themselves against distorted external competition.'

In a declaration to the G.A.T.T. the following statement appears: 'as

regards long-term contracts, emphasis was laid on the fact that Article 45, para. 2, recognises the need to take account of the existence of traditional trade channels, and that this provision was not a purely formal one.'

**Conclusions**

1. It can be expected that the pattern of production within the E.E.C. will change as a gradual process of rationalisation is introduced.
2. The Community must continue to be a net importer of grain although it is intended that production shall be expanded at the expense of present imports.
3. The integration of the associated territories overseas is not likely to increase their ability to export grain to Europe.
4. It is assumed that the common agricultural organisation will increase stability within the E.E.C., but there is no certainty that it will prove a stabilising influence in the international market.
5. It is not yet possible to form any judgment as to the methods that will be adopted for trading with third countries.

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## Science and Statecraft

By DR J. ROBERT OPPENHEIMER

BETWEEN science and statecraft there are differences so profound that it is a tribute to human variety that men can be found to practise one or the other, and that we are right to greet as a welcome miracle those very few who can do both.

Thus the problem of politics or statecraft in an increasingly technical world is, like so many of our human problems today, one of communication. It is, of course, best solved when men expert in one realm are masters in another, and if the technological view that all scientists are statesmen is ludicrously false, it does not follow that the other rule, that no scientists are statesmen, is universally true. The Enlightenment, when science was simpler and society smaller, was a great day for the scientist-statesman, and Jefferson and Franklin left this imprint in the origins of the United States as a country; throughout the nineteenth century this tradition remained strong in France.

I have the impression that in the decades just passed, our country, the United States, has not been poor in those rare birds, the scientists with some feeling for politics in its wide, Aristotelian sense, and even for affairs of state. We are not without our debts to them. I think it no accident that the presidency of Israel, which had been held by Weizmann, was offered next to Einstein. I think that Einstein was as right to decline as Weizmann to accept. This does not, I think reflect on Einstein's humanity, but attests it. His expressions of despair, with which his later

*From an address at the Weizmann Institute Dinner, New York City, December 2nd, 1958*

years were filled, were indeed a witness of his immense hopes, hopes that hardly suited him for the practices of statecraft.

### Bigness is not All

Communication between disparate realms cannot rest wholly on the happy accident of eminent practitioners in both. It is made easy by the common civility of a small community; it is made easy by the serious talk among friends; and by that trait of intimacy, of wholeness, and of responsibility which we find when a few men feel themselves alone with their problems.

Part of the nostalgia which touches the foreign visitor to Israel lies in the sense that in Israel still, despite its great growth, there is a human community of manageable size. Men can talk together as friends, and need not deal with one another through committees, delegations, memoranda, and the inevitable proliferation of pigeon-holes and clerks. The span of human attention is wide, and we are, we are told, a most adaptable species; but it is also limited, and when we must deal with vast assemblages of people, inevitably we abstract, we codify, and we dehumanise. The small community has not lost the element of human unity, combining and reconciling the diverse in one great character that is indeed the image of a man.

We in the super-powers, in one way or another, are entangled in this problem of size. The number of scientists among us about doubles every decade, and the departments

### Israel's own Problem of Bigness

But Israel, in the not too remote future, and most of the rest of us today, have to live with the problem of bigness. It is a very different problem in the acquisition of knowledge, in science, from what it is in the formulation and execution of policy in government. For us in science, it makes formidable educational problems, and it leads to ramification and specialisation. But these in themselves are not evils. It is through specialisation that knowledge advances farther and deeper, and since we are concerned with learning, we rightly hope and find that what is relevant in one branch is discovered by practitioners of another, often not as rapidly as in a smaller world, but in good time.

If there are to be effective and intimate relations between science and statecraft in an age of bigness, they must rest on one clear foundation: they must rest on the possibility of preserving, in spite of bigness, the intimacy and the human directness which we know in smaller societies, and of keeping open the possibility that men will cross from one realm into the other without losing both. They must rest on a dedication to an open society, with all the prospects of disorder and all of the inevitable eclecticism that that brings with it. It is because we have understood the difficulty of reconciling the steadfastness which is the necessity of statecraft, with the open mindedness which a changing, challenging, difficult, complex world requires, that we would keep open to the greatest extent, and with care and love, the channels by which men can talk with one another and help one another to understand and to decide.

of the Government may often rival them in their rate of growth and growing complication.

### Transition

Even Israel will probably not be immune to these problems. One grave and deep-lying problem is indeed being talked of and faced up to: the problem of the transmission of culture in the change from a pioneering to an established society. Israel's needs in technology are very great; its hopes in science are commensurate. The future should see, and will see, a great flowering of learning and skill, in which the Institute at Rehovot will play its special part, setting the pace, straining the standards upward, a part of the country, a part of the international life of science, and yet, for all that, separate and, we hope, reasonably small. But the practical needs of the country will mean that a larger and larger proportion of the people are involved with and are the beneficiaries of higher education. This need is widely discussed, and is manifest even to an outsider. I think, for instance, that Israel has much to gain from keeping abreast of the experience which will shortly be available, some little of which is now available, in the practical uses of atomic power. Perhaps a similar development may be at hand with solar power.

If there were no others, the problems of water, and of an economy adequate to sustain and enrich the country, would be a guarantee of great growth. As of today Israel still has a reprieve from the curse of bigness, and serves to remind us of what a small band of devoted men can do when they can understand one another as friends, and can build a common purpose on a common experience and shared knowledge.

### Science aids Statecraft

One may ask, looking back over the last decade or two, whether in fact the habits and values and virtues of science have contributed to statecraft. I believe that they have, in a modest way. The works of science, as opposed to its spirit, have clearly enveloped all the great issues; they underlay the technology which made possible the recovery of Western Europe from the physical ravages and disorder of the second world war, and indeed the rise of Israel, which is in part a part of that, though it is, of course, also much more. They have raised the vision, and begun to contribute in various ways and with various sorrows and dangers, to the enrichment of the poor three-quarters of mankind, with hopes and doubts as to whether this can be done with a misery less than that which marked the enrichment of Europe, that Marx described so well and with such passion, though he could not foresee its future.

The style has played some part. It is the habit of international cooperative development and study; it is deep in the tradition of science; it was even reinforced by the war years, with the intensive practical collaboration between the allies, and among men of different nations which that brought about. Its greatest success, and one of the greatest acts of statesmanship, I think, of the post-war years, is hardly in the field of science at all. It is the Marshall Plan for European recovery. We find it also in other efforts, some stillborn, some flourishing, and some with an open future: in the stillborn early plans for the control of atomic energy; in the co-operative efforts for studying fundamental physics in the European Council of Nuclear Re-

search, with which Israel has a fruitful connection; in the newly born Euratom, from which, I hope, Israel may learn with profit; in the International Atomic Energy Agency, which has yet to assume the responsibilities and stature for which it should be destined; in the International Geophysical Year; and the proposals for continued common study of the earth's environment and the accessible parts of space. We find it, of course, in the unceasing professional co-operation in all parts of science, and many parts of technology. I hope that the bridges recently opened between scientists of the Communist world and our own may prove fruitful not only in advancing knowledge, but in enhancing human understanding.

Surely it will one day be Israel's destiny to play a leading part in such undertakings, not only on a world-wide scale, but above all in the region in which she has made her home; surely we must hope that the small-scale cold war which now isolates her from her neighbours, and in which bitter hostility and deep differences of tradition and aspiration divide her from them, will not for long prevent her from playing that role of enlightened and friendly neighbour which would justify to those who adjoin her her presence in the land.

### Despair and Hope

Indeed, surveying the world in the perspective of the last fifteen years, there is room both for despair and for hope. Many of the disasters which have threatened at one time or another have been limited or averted, and not least because the Government of this country has often acted with courage and foresight, even in situations for which we as a nation had little prior schooling. It is not

clear that the great enterprise of enriching the poor three-quarters of the world will, in fact, be carried out without great agony, and a great eclipse of freedom. In some parts of the Communist world, limited freedom flickers fitfully, and we can hope, but cannot know, that it will grow and not be again extinguished. The armaments now in our hands, and those of our antagonists, are of a fearful, hardly comprehensible deadliness, and in some respects at least increasingly intractable to control. War poses a more macabre threat than has faced man in his history.

I believe that in one sense those who are weary of the cold war are right. This war is too serious, not only for the generals, but for the statesmen too, and in the end for all

of us. It is too serious for the generals and the statesmen because they must act on our behalf, and cannot talk to us. It is too serious for us, because, being ignorant and unsure, we are irresponsible. We need to ask hard questions about our lives, our ways, our actions, and our purposes. At best this can never be easy; this will as always take high courage. It will not be possible if we as a people cannot know what our situation is, know what we know and do not know, and begin to reassume as individuals the inescapable human responsibility that comes from knowledge. I believe that it has been and is within the power of our Government to help make free these great resources.

## Readers' Commentary

### PROPAGATING A MYTH:

FROM JORIAN JENKS, Pangbourne, Berks

I hope that none of your readers will have taken too seriously Jacques Duboin's article, 'The Myth of Over-Population', which you reprint in your December 1958 number. In any discussion of world population growth and its prospective food supply—a subject which obviously lends itself to conjecture and controversy—dogmatic statements based on inaccurate information are at best frivolous interjections, at worst dangerously misleading.

Dr Josué de Castro, whom Duboin quotes with such gusto, was never 'President of F.A.O.' (which has no President anyway). He was, I think, chairman of one of its committees.

In his book, *The Geography of Hunger* (presumably the work cited by Duboin as *The Geopolitics of Hunger*), he certainly propounded the theory that high human fecundity was attributable to low-protein diets. This theory may or may not be correct; it is hardly borne out by the high birth rates currently found in North American and West European countries which consume large quantities of protein in the form of meat and dairy products.

But de Castro's extravagant statements as to the immense area of cultivable land deliberately kept out of production for economic and political reasons ('colonialism', for

example), though possibly made in good faith, bore all the hall-marks of political propaganda emanating from a source which would, I imagine, be highly suspect to most of your readers. To anyone at all familiar with the history of land settlement and the present food resources of the world, the idea that there is enough 'excellent temperate (*sic*) land' to 'satisfy the appetites of a population ten times as numerous as that of today' is clearly identifiable as a 'myth'!

A much truer and more up-to-date picture is provided by Dr L. Dudley Stamp, Professor of Social Geography at the London University School of Economics, who has been engaged since 1950 in organising the World Land Use Survey for the International Geographical Union. Dr Stamp wrote in *World Crops* for April 1958 that 'by 1975 the world total [population] will certainly be over 3,000,000,000; by A.D. 2000, over 4,000,000,000.' Barring world catastrophes, some of your younger readers may well live to see the total human population at twice its present level!

#### BANK ROBBERIES

FROM M. PARRINGTON, Lawford, Essex

Daylight bank robberies are becoming increasingly common. Might it not be a deterrent if every cashier had a switch under the desk by means of which the entrance door

could be closed? The thief would then be trapped. It could be arranged for the switch to be operated by the knee if this proved necessary.

#### A SUGGESTION

FROM T. ARUL, Labuan, North Borneo

May a regular reader make a suggestion which I hope will be welcome? I would like to see a series of articles explaining clearly and simply the financial organisation and

'equities', etc.; many do not understand for instance how the clearing banks function, the discount market and the various institutions such as the bill brokers, acceptance houses, or for that matter the Exchange Equalisation Account.

Briefly, the articles should be written to explain the working, functions and composition of these Institutions such as the World Bank, and the International Monetary Fund.

The need for this type of informa-

tion is very great, for the ordinary man who is interested in civic and economic affairs of the country as well as for students. These articles should be free of the technical jargon used by the economists and bankers. I am sure that it will enhance the value and popularity of your 'Digest'.

*Note:* We will do our best to carry out Mr Arul's suggestion in future issues. Other readers' comments on this suggestion would be most welcome.—JOINT EDITORS.

## Taxation: An Engine of Destruction

ROBUST denunciation of the evil destructiveness of wrongful taxation was heard in Birmingham on November 7th. Lord Crawford and Balcarres, chairman of the council of the National Trust, speaking at the annual meeting of the Trust, said:

'Taxation is the root of every single difficulty which faces those of us whose object is to preserve what should be preserved and future generations would blame us for not preserving. Owners of works of art don't want to take their pictures from their walls; owners of land don't want to cut down the trees and sell it to the speculator; owners of beautiful

houses don't want to desert those houses. It is not the owners, it is taxation which sends these pictures across the Atlantic; taxation which cuts down these trees, taxation which cheers on the dry rot on its mad career to victory round the joists of every great house we know. The result of taxation has been destruction of this country, nine-tenths of which has been quite unnecessary and certainly which is without parallel in any other civilised country in the whole world. The responsibility is taxation and those responsible for the level of taxation.'

From *Land and Liberty* (*The United Committee for the Taxation of Land Values*) December, 1958

## PRODUCTION AND CONSUMPTION

THE position in world commodity markets suggests that world prices of primary products—and hence British import prices—would not rise very sharply if expansion were resumed in the industrial countries. Hence, although the underlying problem of reconciling expansion with price stability has not been solved, expansion now might not disturb prices seriously. The aim must be to ensure that expansionary measures are not again applied repeatedly until the growth of demand outstrips the growth of productive resources.

From the *National Institute Economic Review*, No. 1. January, 1959

## Digest Reviews

### ISLAMIC DICTATORSHIP?

*Iraq*, by S. Longrigg and F. Staakes. (Benn; 27s.)

For many years Brigadier Longrigg has made a special study of Iraq and its petroleum; but this book is much better than his two earlier ones—more succinct and clearer and less likely to baffle the general reader puzzled to find his way through the closely packed collection of facts not all of which are important. One does not go to the Brigadier for the engaging and vivid naïveté of Desmond Stewart. His is the tone rather of the discreet authority who, even if he has important things to say prefers to say them in a low tone and, if they could prove embarrassing, to leave them unsaid. There is no mention, for example, of the corruption on which Sir Desmond Morton wrote such a strong despatch in 1952. None would know from this book of the immense indignation against Nuri es Said which led the country as a whole to make a fête of his murder.

The position of the oil companies is succinctly stated but no mention is made of the increase in oil revenue from £1,500,000 in 1949 to £52,000,000 in 1957 or the rise in royalties from 4s. to 39s. a ton.

The book is at its best in the opening chapter on the geography of the country and on Muslim Iraq. The history of the country from the liberation from Turkey to the turbulent present are well described. The great fact which Iraq shares with the rest of the Arab world is a revulsion from the absurd attempt to impose a form of parliamentary democracy alien to the tradition and spirit of Islam which has always rallied to the

Commander of the Faithful, whoever he may be, and if it finds him unsatisfactory looks for another. Many think that the Middle East has been undergoing a series of revolutions. No! It is returning to what gave it stability from the time when the Quran was written: a strong military administration responsive to religious authority.

ROBERT SENCOURT

### TROUBLESOME TRIBESMEN

*The Pathans, 550 B.C.-A.D. 1957*, by Sir Olaf Caroe. (Macmillan; 60s.)

*Kurdistan: Divided Nation of the Middle East*, by S. S. Gavan. Foreword by Emir Kanuran Aali Bedir-Khan. (Lawrence & Wishart; 4s. 6d.)

Sir Olaf Caroe has written beautifully a book which is beautifully produced and illustrated. Few who have found it hard to resist the charm of the Pathans will easily resist the charm of this almost definitive work of admirable scholarship.

The author, the last Governor in Peshawar under the British Raj, pays deference to the tradition of Pathan origins in the Beni Israel dispersed by the social engineering of Nebuchadnezzar (Bakhtunassar) and brings out the Iranian influence upon these fierce, vindictive yet also honourable tribesmen—honourable by their lights. He recalls the invasions of Grecians and others lured by the riches of the Indian plains long before the fifteenth century when the Pathans' literary languages formed. He gives reasons why, despite the superficial attraction of 'Pakhtunistan', which has had Afghan backing, the Pathans the British fought and helped are unlikely to prefer Kabul to Karachi. They are reasons which

do credit to Pakistan and to the Englishmen, Sir Olaf among them, who left part of their heart behind. The moving quotation from the memorial tablet to John Nicholson at Bannu church is fitting epitaph to a band of brothers who adorned an unjustly abused imperialism.

Mr Gavan writes, partly with restraint but also in nationalist emotion, of mountaineers as turbulent and tenacious of their freedom as any Pathan. Racially Aryan, formerly Zoroastrian by faith, though numbering the counter-crusader, Saladin, among their heroes, painfully divided between Turkey, the U.S.S.R., Iraq and Iran, the Kurds stand again upon the international stage. Mr Gavan recalls that after the first world war British policy favoured Kurdish autonomy—a cause now exploited by Russia. What line will Kassem take—or whoever next comes to power in Baghdad?

### WISE MAN TO THE WISEST FOOL

*Business and Politics under James I: Lionel Cranfield as Merchant and Minister*, by R. H. Tawney. (Cambridge; 40s.)

This distinguished work of detailed scholarship lacks the appeal of *The Acquisitive Society* or *Religion and the Rise of Capitalism* but is most helpful to the understanding of the antecedents of civil war.

It deals with a period when many counted commerce England's glory. London had not yet overtaken Amsterdam as financial centre; but England had forged economic links with her continental neighbours. A commercial (rather than industrial) élite played City politics and mixed on equality with the aristocracy.

Cranfield, first speculator then servant of the Crown, was confronted with strained royal resources at a time of heavy expenditure, much mismanagement of the King's money and very much corruption. This was part of the stuff of revolution.

### ECONOMIC LIBERALISM

*The Natural Economic Order*, by Silvio Gesell. (Peter Owen; 30s.)

'The Natural Economic Order is not a new order artificially put together. To allow the development of the order which starts from the division of labour, it was only necessary to remove the obstacles due to defects in our monetary system and our system of land tenure.' Thus wrote Silvio Gesell in the preface to the 1920 edition of his well-known work which has now been re-published in a revised English edition.

On land tenure he proposes that all land situated within the national boundaries is made accessible to each inhabitant of the country and is proclaimed as his property. On money, his proposals are for the establishment of free-money, which he describes as a stabilised paper-money currency, issued or withdrawn in accordance with index numbers of prices, with the aim of stabilising the general level of prices. He further proposes that this money should lose five per cent of its value annually at the expense of the holder, who keeps the face value of the notes by attaching currency stamps to them.

This necessarily brief summary does not do justice to Gesell's theories, which are worthy of careful examination, and have an important contribution to make to modern monetary theory and practice.

### STABILITY

*Policy Against Inflation*, by R. F. Harrod. (Macmillan: 24s.)

'The most important principle is that monetary policy, along with other measures of economic policy, should be regulated so as to equate the total demand for goods and services to the supply potential of the economy making allowance for growth potential. Tendencies to over-full or under-full demand should alike be corrected.' This quotation comes from the preface to Roy Harrod's new book, and sets out the fundamental principles which should govern economic policy.

Mr Harrod begins by examining recent monetary history, the gold standard, managed currency, Keynes's views, war finance, and developments since the war ended. In his view our failure to fund the foreign-held sterling balances when war ended was a grave error which led to our precarious reserve position in subsequent years.

### RURAL ECONOMY

*The Country Craftsman*, by W. M. Williams. (Routledge and Kegan Paul: 25s.)

*Economics and Agriculture*, by Anne Martin. (Routledge and Kegan Paul: 21s.)

*Fancy Pheasants, Jungle Fowl and Peafowl for Beginners*, by Charles H. Trevisick. (Poultry World: 12s. 6d.)

The Rural Industries Organisation provides the central theme for *The Country Craftsman* which surveys some of the important crafts of the countryside agricultural engineering, pottery, book-binding and similar activities. The author describes and analyses the items which contribute to rural crafts and makes an assessment of their markets.

*Economics and Agriculture* is intended for students of agriculture who are turning to economics for the first time. It covers questions of price, demand and supply, costs, competition, rent and profits and efficiency. The latter part of this book deals with questions of public policy in relation to the special problems of agriculture and the final chapter is devoted to the subject of land tenure.

The third of these books deals with fancy pheasants, which are not, as many imagine, difficult to manage; nor are extensive areas of land necessary for them, as they can be kept quite suitably even in small gardens. Interest in these birds has greatly increased in recent years, and Mr Trevisick's book comes at a particularly opportune time. The prime object of the work is to guide the novice step by step in simple everyday language, showing him how to succeed and avoid the pitfalls that might prove his undoing.

Also catered for are the highly coloured jungle fowl, ancestors of our domestic poultry, and for those who have sufficient space, the lovely peafowl. As well as practical advice on housing, breeding, rearing, feeding and general management, detailed descriptions are given of varieties of pheasants, jungle fowl and peafowl. There are a number of colour plates depicting twenty varieties, which succeed in conveying typical stances of the birds represented.

### INDUSTRIAL RELATIONS

*Social Structure and Productivity in the Factory*, by Paul Taylor. (Routledge and Kegan Paul: 25s.)

*The First Principles of Industrial Relations*, by J. H. Coatsworth. (Macmillan: 12s. 6d.)

The following books present two

different approaches to the problems of the attitude of the worker to his job and environment. The first is an account of an extended investigation of behaviour at work carried out in factories in Melbourne, Australia, in 1951 and 1952. The emphasis is on the worker's general orientation to his situation, and not specially on his discontents. The author is Reader in Psychology at the University of Melbourne.

The second book discusses the industrial discontents which range over the whole structure of society. Mr Hare says in his introduction: 'The problem of industrial discontent is inherent in, and arises from, the structure of society; from its social organisation and political forms; from its religious and ethical norms and the attitude to property and work which these inculcate and which are given expression in its laws.'

### THE END OF A DOGMA

*Nationalisation in Britain*, by R. Keffelen. (Macmillan: 25s.)

This valuable study covering the construction and growth of the nationalised industries covers coal, electricity, gas, transport and iron and steel, the industries which were transferred to national ownership by the Labour Government of 1945-51. It is a powerful indictment of nationalisation from one who was, in his early days, an exponent of the 'brave new world of Socialism'. As a civil servant from 1949 to 1955, the author worked in close association with the nationalised industries. His criticisms are, therefore, informed and based on an intimate knowledge of day-to-day workings. It is to be hoped that this book will be widely read and studied, particularly by those who still believe that nationalisation is a cure-all for economic ills.

### SHORTER NOTICES

*The Changing Social Structure of England and Wales, 1871-1961*, by David C. Marsh. (Routledge and Kegan Paul: 23s.)

This book brings together data from a variety of different sources on the social structure of England and Wales during the past eighty years, and provides an over-all picture of the changing pattern in social life which has taken place since 1871.

*Introduction to Functional Analysis*, by Angus E. Taylor. (John Wiley: London: Chapman and Hall: 100s.)

The author is Professor of Mathematics at the University of California, Los Angeles. He says in his preface: 'The primary aim of the book is to assist graduate students in learning fundamental ideas and theorems about linear spaces and linear operators and to lead them to an appreciation of the abstract-linear-space point of view in surveying the problems of algebra, classical analysis, the theory of integration, and differential and integral equations.'

*Microeconomic Theory: A Mathematical Approach*, by James M. Henderson and Richard E. Quandt. (McGraw Hill: 88s.)

This book is one of the Economic Handbook series. It presents a step-by-step development from the case of a single consumer and a single producer to exchange among producers and consumers in a single market and then to a general case where markets are shown in their interrelations with each other. It is intended for economists and students who have some mathematical training. An appendix is provided on the indispensable mathematical techniques.



**FOR REFERENCE**

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

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

*Economic Conditions in Member and Associated Countries of the O.E.E.C.*  
*Italy. O.E.E.C. Paris (2s. 6d.).*  
 Survey covers eighteen months ending mid-1958. (1029)  
*Austria and Switzerland. O.E.E.C. Paris (2s. 6d.).*  
 Survey covers eighteen months ending mid-1958. (1030)

**Savings**

*National Savings Committee. Annual Report, 1957-58. H.M.S.O. (2s.).*  
 Report for year ending March 31st, 1958. (1031)

**G.A.T.T.**

*Basic Instruments and Selected Documents, Vol. III, G.A.T.T.*  
 Text of General Agreement, 1958. (1032)

**F.A.O.**

*World Grain Statistics. Exports by Source and Distribution 1957-58.*  
 F.A.O. Rome (2s. 6d.). (1033)

**Convertibility**

*Toward European Convertibility, by Randall Hinshaw. International Finance Section, Dept. of Econo-*

*mics and Sociology, Princeton University, N.J.*  
 This is No. 31 in the series 'Essays in International Finance'. (1034)

**I.M.F.**

*International Reserves and Liquidity. International Monetary Fund. (Washington, D.C.)*  
 A Study by the staff of the I.M.F. (1035)

*Annual Report 1958. International Monetary Fund.*  
 The annual report of the Executive Directors for the fiscal year ended April 30, 1958. (1036)

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

*Sixth General Report of the Activities of the European Coal and Steel Community, Vol. 1. The Policy of the High Authority, Vol. II.*  
 The economic and social situation of the Community and the activities of the High Authority. (1037 and 1038)

*Budget of the Community. Supplement to the Sixth General Report. (1039)*

*Address by M. Paul Finet—President of the High Authority in the European Parliamentary Assembly: Ordinary Session 1957-58. (1040)*

**Sudan**

*21 Facts about the Sudanese; prepared by Karol Jozef Krotki. The Republic of Sudan, Ministry of Social Affairs. Population Census Office.*  
 The first population census of Sudan 1955-56 (1041)

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