

*The*  
ECONOMIC  
DIGEST

Vol. 12  

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1959

KRAUS REPRINT  
Nendeln/Liechtenstein  
1974

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KRAUS REPRINT

A Division of

KRAUS-THOMSON ORGANIZATION LIMITED

Nendeln/Liechtenstein

1974

## *Digest Spotlight focuses on*

### **Field-Marshal the Viscount Montgomery of Alamein, K.G.**

Much of the criticism of Lord Montgomery's Memoirs\* has missed the point that the author is a single-minded military genius, flexible to adjust a preconceived plan to an unexpected event, inflexibly determined and therefore able to inspire its own confidence in others.

Was Lord Montgomery 'cocky' or 'self-assertive'? Napoleon was self-confident. So was Nelson. Twice he alone knew where the French fleet had gone—once to Egypt, once to the West Indies. It was said he had taken leave of his senses. That is genius—not to be 'cocky' but to be *Right*, right despite unpopularity, despite everything and *before* everyone. Remember Beethoven's: 'There have been and always will be thousands of Princes but there is only one Beethoven.'

Nowadays there is a ban on Personality comparable to that described by Burekhardt in his 'Renaissance'. Without the breaking of that ban there would have been no Renaissance. Today's ban derives from the mechanistic and egalitarian explanations of society. In England it is 'bad form' to think one man can be better than another. In America it is taken even further but turned around: nobody (particularly no Englishman) can be a genius but all Americans *are*. (Ex-President Hoover: 'Tho' we live, it is said, in the age of the Common Man, there

are no ordinary 'Americans'.) All are equal and 'genius' is impossible.

In England, who owes so much to her great men, the combined onslaught of egalitarians, determinists, the 'bigness of all' brigade—big countries, big businesses, big federations has undermined self-confidence. France's revolution is an impressive illustration of the power of personality. The even more rapid revolution in England—from the bottom in 1940 to the top of World Leadership in 1945 under two great leaders, Churchill and Montgomery, and almost down to the bottom again as soon as she rejected them—is another.

Lord Montgomery's warning was misunderstood as the testy remarks of an old man. The warning was that there comes a point beyond which we cannot retreat—Alamein—without losing everything. Therefore Britain must insist on the Americans seeing her point of view *now*. Genius must not only be right but convince others in *time*. That it took several geniuses several thousand years to convince the majority that the world is round did not matter because the world goes on; but had Churchill been unable to inspire the nation before the Battle of Britain he would not have been recognised as a genius.

What of America's problem of personality? Almost the entire U.S. high command has been Southerners, with a dash of New England. Mac-

*Continued on page 27*

\* Collins; 35s.

## The Bank and the Radcliffe Committee

IT is a matter for satisfaction that Mr Cameron Cobbold has allowed himself to be persuaded to accept re-appointment as Governor of the Bank of England for a third term of five years on what may be called a short-term basis. It appears that he wanted to hand over the Governorship to somebody else when his present term of office expires next spring—by that time he will have completed ten years as Governor and a total of twenty-one years as a full-time member of the Court of the Bank—but agreed to continue in office 'because of the desirability that there should not be a change of Governor before the Radcliffe Committee concludes its investigations into the credit system'. This, however, was evidently on the understanding that, except in exceptional circumstances, he would not be expected to complete the full five-year term.

### Consultation

It is, indeed, not difficult to see that, since the present Governor has played such a large part in devising and implementing the monetary policy which the Radcliffe Committee is now probing along with other aspects of the country's money and credit structure, he should, if possible, be available in his present office for consultation right up to the time the Committee has completed its work. But is Mr Cobbold right in contending that it would be better if he handed over the responsibility of the Governorship to another man beyond

that point, having regard to the fact that, as an energetic man in the early fifties, he could continue to put the valuable experience he has gained in ten years as Governor to work for the Bank's benefit for some considerable time?

### Limited Success

On the whole it must be said that he is and that in deciding to retire from the scene when the Radcliffe enquiry is out of the way he is acting in a public-spirited way. For although all the failures of official monetary policy during the post-war period—and it has to be remembered that although at the moment it appears to be bringing results, between 1951 and 1957 it had only the most limited success—certainly cannot be entirely laid at the Bank's door, that institution cannot escape part of the blame. That does not, of course, necessarily mean that a change of principal pilot at the Bank is essential. For bankers, like other people, can learn from their miscalculations and errors of judgment and, when their skill again comes under test, can do the right thing. But it has to be recognised—and it is evident that to his credit, Mr Cobbold has recognised this—that if the Radcliffe Committee advocates, as it is to be presumed it will, some fairly extensive changes in the machinery of monetary control, it would be very much easier for a new hand to implement these reforms with the necessary enthusiasm than one that has been closely associated with the procedures followed in the past.

*From The Statist, November 15, 1958*

## Inflation

BY DR LUDWIG VON MISES

*Visiting Professor of Economics at New York University*

IF the quantity of the circulating media is increased, those into whose pockets the new fictitious wealth comes—whether they are workers or farmers or any other kind of people—will increase their spending. But it is precisely this increase in spending that inevitably brings about a general tendency of all prices to rise. Thus the help that an inflationary action could give to the wage earners is only of a short duration. To perpetuate it, one would have to resort again and again to new inflationary measures. It is clear that this leads to disaster. There is a lot of nonsense said about these things. Some people assert that wage raises are 'inflationary'. But they are not in them-

selves inflationary. Nothing is inflationary except inflation, i.e., an increase in the quantity of money in circulation and credit subject to cheque (chequebook money). And under present conditions nobody but the government can bring an inflation into being. What the unions can generate by forcing the employers to accept wage rates higher than the potential market rates is not inflation and not higher commodity prices, but unemployment of a part of the people anxious to get a job. Inflation is a policy to which the government resorts in order to prevent the large scale unemployment the unions' wage raising would otherwise bring about.

## Speculating on Inflation

ONE of the most remarkable features of a not uneventful year has been the boom in the stock markets. Wall Street has risen to an all-time peak and London looks as though it may do so too.

To many, the rise in prices during 1958 must seem irrational. Admittedly the recovery in American industry has been extraordinary. But it really is too early for throwing one's hat in the air. And certainly it would seem too early for equity investors to accept a mere two to three per cent on their money.

The same surely applies to the U.K. The industrial scene has not been as

gloomy in 1958 as many pessimists last year expected. But neither are we out of the wood yet. Stock Exchange prices though are right back to boom levels. On both sides of the Atlantic speculation has recovered faster than industrial output.

There are a number of reasons currently being put forward to explain this abnormality away. In the first place, it is argued, there is an absolute shortage of high-class industrial stocks (both here and in the U.S.) for the investor to buy. And yet the demand to buy is continually rising: every day more people are

*From The Director, Journal of the Institute of Directors, December 1958*

saving through unit trusts and mutual funds (as they are called in America) and at the same time money is pouring into the pension funds and the insurance companies, which are putting more of their resources into equities. What more natural therefore than that share prices should rise?

#### Permanent Inflation?

But unfortunately this is only half the story. The other half can be summed up in the one word: inflation. The reason why many small investors on both sides of the Atlantic are throwing their money into stocks as fast as they can is that—once again—they have been persuaded that inflation is here to stay and that the only way to beat it is to own a solid equity.

When industrial activity in the world began to slacken off two years ago it was generally assumed that at least this meant the end of inflation. People were mistaken. The American Government is faced with a yawning

budget deficit which they can only cover by creating money while—at the same time—prices have risen throughout the recession. In this country although the pace of inflation has slackened it has not actually stopped. And now that the sky's the limit in hire purchase, the pace may once more accelerate.

So what has happened in the stock markets this year must stand as a warning to governments on both sides of the Atlantic. At present investors have no confidence in the ability of their rulers to keep the value of money stable. Instead they are speculating on inflation.

The only consolation—if indeed it is one—is that this situation cannot last indefinitely. If inflation does come back as strongly as the stock markets expect, then at some point there really will be a slump; it is inevitable. But if industrial productivity spurts ahead really fast, there may be sufficient goods of the right kind available at the right price to soak up the surplus money. Which it is to be only 1959 will show.

We in Canada are among the six largest industrialised countries of the world. We are also the fourth largest trading nation. We do not forget the days when we depended upon agriculture. In the process of diversification and industrialisation we have had the help of many countries. You in the United Kingdom gave us capital, in the days when you could. Men and women from many nations came to Canada and brought with them the skills, the 'know-how' and the enterprise. Our economy today, in spite of the recession that is taking place in the North American continent, has expanded rapidly in the post-war period, more rapidly than that of any other nation. If past rates of economic growth are any indication we may well overtake the United Kingdom in terms of national income and national output within the next quarter of a century.

*From a speech by the Rt Hon. John Diefenbaker, P.C., Q.C., M.P., Prime Minister of Canada, at a meeting organised for him and the Prime Minister of the United Kingdom at the Royal Albert Hall, November 4, 1958*

## How much Butter is a Pound of Zinc?

BARTER is the oldest method of trading in the world. It was universally practised in the days before money was invented, when our remote ancestors peddled beads or bananas for fish or skins. At a much later stage in history, when trade was following the flag, the term became slightly suspect, tending to be associated with the acquisition of copra or ivory from simple-minded natives in exchange for the more tawdry products of Western industry. More recently still, it came to be regarded by economic experts of the more orthodox schools as a rather dubious means by which certain countries sought to overcome the limitations imposed by their shortage of foreign exchange.

#### Respectable!

It was Washington which made barter a respectable word again by clothing it in the mantle of official government policy. Under the barter programme the U.S. Department of Agriculture exchanges farm commodities owned by the Commodity Credit Corporation for foreign-produced strategic materials for stockpiling, and for non-strategic materials to be used by other government agencies. Apart from swelling the supplies of materials in U.S. Government stockpiles—a benefit of more than doubtful value at the present day—barter is currently serving the dual purpose of providing a sizeable outlet for the politically embarrassing surpluses of agricultural products by assisting friendly countries whose foreign exchange position prevents them from importing these products

on a conventional trading basis and, incidentally, enabling them to clear some of their own surpluses. The American barter programme might also be regarded as one of Washington's curious and rather cumbersome ways of influencing countries and making friends.

In the fiscal year 1957 (July 1, 1956-June 30, 1957), barter contracts negotiated by the Commodity Credit Corporation reached the far from insignificant total of \$272,600,000. In the following twelve months, however, they slumped to a mere \$65,100,000.

#### P.L. 480

Legislation controlling the barter programme for the current fiscal year is at present going through the machinery in Washington and funds have been allocated for the purchase of surplus commodities to be exported on barter. Under the amended Public Law 480, the President is authorised to issue the list of strategic items for which these may be exchanged. This responsibility had been delegated by the last Congress to the Department of Agriculture, which is reported to be working at full speed in the preparation of the barter list. It is understood that the list may receive the President's approval this week.

The effect of the Barter Bill appears to be that an American importer can approach the Commodity Credit Corporation with proposals for the importation of any commodity on the authorised list, provided that a compensating barter export can be arranged. Sometimes the transaction

*From the Mining Journal, November 14, 1958*

may involve a triangular or, conceivably, an even more multilateral arrangement. Country A, for example, might ship a particular mineral to country B, which would manufacture from it a ferro-alloy for shipment to the United States in exchange for wool or butter, which might be allocated in suitable quantities to A or even proportionately to A and B. Alternatively, the product exported from country B might be quite different from the requisiting barter import.

Apart from finding outlets for the disposal of surplus farm products, which is doubtless the prime consideration, the authorities will presumably be concerned within limits to find a suitable destination in the context of the anticipated economic and/or political benefit to the territory concerned.

#### A Wayward Genie

To chrome producers in Turkey and the Philippines or to manganese exporters in India, barter has hitherto been the rather wayward genie in Washington's magic lamp, which could occasionally be persuaded to come to the rescue when all else failed. But it must sometimes have seemed to them that the lamp was apt to require a disheartening amount of rubbing before it could be got to work.

So far as Indian manganese is concerned, however, it looks as though a barter deal will at last be finalised. Mr Sandilya, of the Indian State Trading Corporation, was due in New York early in November to sign an agreement worked out in India by an official of the U.S. Commodity Credit Corporation. According to recent reports in the trade, some 400,000 tons of American wheat will be bartered for 150,000

tons of manganese ore and 75,000 tons of ferromanganese. The money value of the commodities would be approximately \$31,500,000.

From the standpoint of base metal producers, the most interesting aspect of the barter programme is the loophole which the Bill appears to provide for the importation of metals such as lead and zinc, which are subject to quota restrictions.

#### Lead and Zinc

With this possibility in view, deals have been made on the L.M.E. both for lead and zinc already in bond in New York, even though the United States' importer realized there was no prospect of getting the metal into the States under the current quota.

The presence of large tonnages of both metals in bonded warehouses in New York should certainly help the case of those anxious to include lead and zinc under the barter programme. Barter transactions in these metals were suspended by the Secretary of Agriculture over a year ago, pending the revaluation of the programmes, and have not been resumed.

Whether the Barter Bill will lay down any regulations as to the price label on the imported item seems to offer an interesting line of enquiry in relation to items in excess supply. Is it conceivable that this presents an opening whereby a foreign metal or mineral exporter could unload some surplus production without giving the appearance that he was deliberately underselling the market?

#### Food for Tin

A transaction was recently reported to be under consideration for the barter of agricultural commodities for Bolivian tin. Such a shipment, if negotiated, would apparently be additional to I.T.C. quota shipments

from Bolivia. This would not be the first time that the barter programme had been used to implement U.S. foreign policy with Bolivia.

The rumour that tin might be among the items to be inserted in the Barter Bill, although officially denied in Washington, nevertheless still persists. Reports from New York, anticipating the composition of the list of permissible strategic imports under the Barter Act, insist that tin, lead and zinc will be the most prominent among a list of about 30 items. The *Journal of Commerce* adds the comment that the inclusion of these metals reflects Washington's desire to help metal-producing coun-

tries with their surplus supply problems, recently made more pressing by the imposition of U.S. lead and zinc quotas and by Russian sales of tin. Time limits are expected to be set for delivery of the commodities to the stockpile to insure that shipments come from surface stocks, not from new production.

The progress of the Bill will be followed with close attention by foreign producers because of the very interesting possibilities presented by a programme which, so far as can be judged at this stage, appears to give Washington considerable latitude for leaving its right hand in ignorance of what its left hand doeth.

## Mr Macmillan on Mr Gladstone

By SIR ANDREW MCFADYEN

... The Prime Minister... not long ago rather plaintively advanced the plea that Gladstone would have approved what Her Majesty's Government was doing. That is really not good enough; to obtain any credit in that quarter it would be necessary to contend that on the whole the G.O.M. would have approved the disastrous courses of the 20's and 30's, and more particularly that he would have approved not only what good the present Government has done, but the dilatory way it has done it, and also its many sins of omission.

Does the Prime Minister think that Gladstone would have approved the Egg Marketing Scheme? The tardy conversion of the Conservative Party to measures to combat inflation? The obstinate reluctance of

the Party even to examine the causes of industrial strife? The re-enactment of the history of the Sibylline books in Cyprus?

In particular, would Mr Gladstone have sympathised with a Conservative Party which, like the Labour Party, is deeply committed to an entrenched system of tariff protection? 'If we are to flourish, and if we are to live, we must learn... to compete with cheaper labour, with lighter taxes, with more fertile soil, with richer mines than our own; and if this is to be done both the working hand and the material upon which it is to work must as soon as practicable be set free.' My last two sentences are not my own, nor the Prime Minister's. They are Mr Gladstone's, spoken in 1843.—*Torquay*, 19.9.1958.

From the *Free Trader* (Free Trade Union and Cobden Club), November 1958

## Commonwealth Survey

### (I) CAPITAL FOR COMMONWEALTH DEVELOPMENT: DOLLARS

PRIOR to the second world war the possibility of obtaining dollar capital for investment in the British Commonwealth aroused little interest. Canada, for obvious geographical reasons, has always had close economic relations with the United States but, elsewhere, American capital had not played an important part in the British Commonwealth. Total American investments in Africa, including Egypt and the Mediterranean, have been estimated at only some £24 million up to 1930. The principal source of capital for the overseas sterling area for many years was the United Kingdom and the question of whether alternative or additional sources could be tapped did not arise.

#### New Enthusiasm

The second world war generated a new enthusiasm for overseas development. Governments, particularly the American and British, appreciated that capital would be required on a larger scale than heretofore; hence the formation of the International Bank for Reconstruction and Development. As regards the overseas sterling area, funds continued to flow out from the United Kingdom, in so far as her diminished financial resources would permit, but some time elapsed before any direct supply of dollars became available. At this point, a distinction must be drawn between official capital and private capital. Very soon after the war, the American Government began to

make foreign aid available on a scale far exceeding anything known in the world before, and has continued to do so.

Since VJ day, U.S. Government grants and credits to foreign countries, excluding the very large military aid, have averaged over \$3 billion annually. In respect of the sterling area, the greater part of the aid has come in the first place to the United Kingdom. Non-military grants and credits by the U.S. Government to the overseas sterling area have averaged only some \$90 million annually and over three-quarters of this amount has gone to India and Pakistan. Although direct official American aid to the overseas Commonwealth has not been large, the indirect effect of the aid given to the mother country has been most important. Without American aid, it would hardly have been possible for the United Kingdom to give assistance to the overseas sterling countries on the scale that has obtained in recent years.

#### U.S. Investment

The great bulk of private American overseas investment since the war has been concentrated in Latin America and in Canada. The value of United States direct private investment in Canada at the end of 1956 was estimated at about \$7½ billion. By contrast, the similar figure for Australia, New Zealand, South Africa and India together was estimated at only \$997 million. For South Africa alone more detailed figures have

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

recently become available from her census of foreign liabilities and assets at the end of 1956. Total private liabilities to the United States amounted to approximately £160 million, which compared with some £800 million due to U.K. interests.

Although American private investment in the self-governing territories of the overseas sterling area has not been large, that in the colonial territories has been much smaller. Estimates suggest that such investment in all dependencies of Western European powers was less than £20 million per annum in the decade following the war. One reason why there has been little direct investment by the United States in the underdeveloped parts of the sterling area is given, by an American E.C.A. publication, as the lack of familiarity of the American investor with conditions and institutions in these countries. 'In Africa, this authority continues, 'the inadequacy of basic services is a serious deterrent. Very often the roads, railroads, ports, power facilities, and communications are not good enough to make possible the effective and profitable operation of many types of private industrial enterprise.' It appears also that U.S. private capital is not much interested in basic investment in transport, water development and power.

#### A Moral Obligation

At the recent annual meeting at Delhi of the member countries of the International Bank, proposals for substantially increasing the resources of the Bank were generally approved. Unfortunately, an American plan for the formation of an International Development Association to assist the development of the most backward countries was apparently much less welcome. Nevertheless, such countries present a difficulty. Their economic weakness makes it impossible for them to comply with the normal requirements of lending institutions. Hence it happens that the bulk of World Bank capital, and indeed of other capital, tends to go to countries which have already made considerable progress in their development. The wealthier countries of the West

#### Dollar Capital

The principal source of dollar capital for basic services has been the International Bank for Reconstruction and Development, whose 13th annual report has just been published. At 30th June, 1958, the grand total of Bank loans approved amounted to \$3,729 million, of which \$1,214 million was for development in the overseas sterling area. Recently, the pace of the Bank's operations has

have accepted a moral obligation towards the poorer peoples of Africa and Asia, but this obligation is not fulfilled solely by the making of loans, the majority of which must be described as very sound banking

propositions, valuable though these may be. The whole problem of financial assistance to the more backward under-developed areas deserves much closer examination than it has yet received.

## (2) STERLING DEVELOPMENT IN THE COMMONWEALTH

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

ferred to South Africa, Australia and India in the decade from 1946 at some £950 million. The Colonies in the same period received £450 million and Rhodesia, in a political category of her own, £250 million. It has also been unofficially estimated that in the decade 1946/55, 70 per cent of the external capital invested in the sterling Commonwealth came from the United Kingdom. Of the balance, 15 per cent came from the United States, 10 per cent from the International Bank and 5 per cent from other sources.

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

## (3) CANADA AND THE FUTURE OF TRADE

In the modern world the gains from trade accrue most readily to the country which can adjust rapidly. Internal mobility of the factors of production, whereby resources move into industries where comparative advantages are greatest, is essential. In this respect Canada has great natural advantages. Already a great producer of commodities, this country also possesses an active, growing manufacturing industry. At the same time, the rigidities and immobilities such as have hampered easy adjustment in some of the older industrial countries are not a signif-

**Trends**  
The trends examined previously revealed a proportionately more rapid growth of trade in manufactures than of that in commodities. Changes within the major categories of exports have also been evident; the movement of cotton textiles, for example, within the general category

*From the Commercial Letter, the Canadian Bank of Commerce, October 1958*

of manufactured goods, has declined relatively to trade in engineering products. In the same way, the engineering products entering into world trade include a growing proportion of products of greater complexity. This is a natural development following the growth of the simpler manufacturing processes in underdeveloped countries. The newer countries can now supply a large part of their own needs of simple manufactures, but the products of advanced engineering technology must still be supplied by those

countries with specialised engineering skills. Within this rapidly growing field, there is still room for further international specialisation.

### Continued Co-operation

For the foreseeable future, however, by far the greater part of Canada's exports will continue to be the products of the mines, fields and forests. Maximisation of these exports, both in volume and value, depends on the maintenance of a high level of economic activity in the rest of the world.

## (4) MONTREAL AND THE WEST INDIES

UNHAPPILY for the West Indies, every pronouncement made by the United Kingdom makes clear its intention to remove the quota protection hitherto given to West Indian citrus as soon as the protection can no longer be justified for balance of payments reasons. Another industry which, under the same umbrella, has expanded and given new hope to the very poorest territories in the West Indies, transforming the outlook of thousands of impoverished peasants, is the banana industry. The threat to this industry is equally ominous.

### Need for Special Measures

Admitting that the future welfare of the United Kingdom will be immeasurably enhanced should the Great Powers succeed in agreeing on measures to-free world trade from present shackles, the need for special measures will still remain if the West Indies are to maintain even the outlets for their produce which they now possess. Let us forget for the moment

that with their rapidly growing populations much more will be required. Let it be noted, however, that there is no great nation which has not sworn to aid the underdeveloped territories of the world. Surely it is not too much to ask that a start be made now, before irreparable harm is done, to find a way to give to the West Indies the kind of help which they most need by suggesting, to those who seek to take away from them even the little which they have, that there is one way in which they can prove the sincerity of their protestations of concern for underdeveloped territories—by leaving the West Indies in peaceful enjoyment of that little.

### A Clear Obligation

And let not the United Kingdom be so unctuously pious about the sacredness of her obligation to remove her protecting arm from two major industries of the West Indies.

*From the West India Committee Circular, November 1958*



Has she not a clear obligation to plead exceptional circumstances and the over-riding obligations of the United Nations Charter, and to press resolutely not merely for the preservation of those industries, but rather for their expansion? Surely something can be done through mutual agreement, without resorting to the ruthless abandonment of all accepted principles so irresponsibly adopted by the Messina powers in the interests of their own dependent territories. In particular, it should not be difficult to convince the government and people of the United States of America that, compared with the cost of the splendidly generous contributions which they are making to the cause of improving the lot of the

peoples of the underdeveloped territories in numerous ways, it is a very small thing to ask them to keep their hands off those markets in which, admittedly through fortuitous circumstances, the peoples of the West Indies have found temporary salvation. The sacrifice would be small—if indeed it is a sacrifice to give up hope of resuming the enjoyment of what they have long learned to do without—but, so far as the West Indies are concerned, nothing could be of greater practical value than that they should be allowed to retain at least that outlet for their products in the United Kingdom which they have been encouraged to believe was their own.

### (5) COMMONWEALTH EMIGRATION NOT HARMFUL TO BRITAIN

A SUB-COMMITTEE of the Nottingham Junior Chamber of Commerce was appointed in January, 1958, to 'Examine the facts of and reasons for the emigration of qualified persons' (i.e. having a University Degree or Professional Diploma). The Commonwealth Migration Council co-operated in this task, and the conclusions reached were:

- (a) That the U.K. does not exist alone but as part of the Commonwealth, and what is good for the Commonwealth cannot be bad for the U.K.
- (b) The re-distribution of population within the Commonwealth as represented in the present instance

(1957) by Canada seems essential for its fullest development. The 'loss' to the home country is smaller than the gain to the territory concerned.

- (c) The current rate of emigration to the North American continent (1957) is small and gives no cause for alarm.

- (d) Ill-considered reports in the sensepress about the size of this movement are to be deplored and discouraged.
- (e) The scale of emigration is to some extent a symptom of the 'general health' of this country in relation to that of the recipient countries concerned, and should be watched with this in mind.

From the Commonwealth Migration Council. Newsletter No. 6. November 1958

## What the Three European Communities Mean

### EUROPEAN COAL AND STEEL COMMUNITY (E.C.S.C.)

THE initiative for the first of the Communities was taken on May 9, 1950, by M. Robert Schuman, in the name of the French Government. He then proposed that Franco-German production of coal and steel should be placed under a common 'High Authority' in a Community open to other European countries. 'The proposals', he said, 'will build the first concrete foundation of the European federation which is indispensable to the preservation of peace.' Subsequently a treaty was drawn up between the six countries who agreed to take this revolutionary step of setting up a Community: and on August 10, 1952—a day described by Sir Oliver Franks as 'likely to be regarded by future historians as the most important date in the post-war decade of Western Europe'—the High Authority began its work in Luxembourg.

Since that day, the Community has in fact fulfilled its first and most

immediate task—the introduction of a common market for coal and steel. Customs duties, quota and currency restrictions on these goods have been abolished: discrimination in their sale or purchase based on their national origin has been prohibited: frontier charges on their movement have gone, and international through rates have been introduced. Rules of competition are enforced, and an active social policy is being pursued.

This includes the provision of re-adaptation aid for workers in the Community's industries, financial help for housing schemes, funds for medical research, and new measures to improve mine safety. A new future has opened out for the industries of the Community, now assured of a home market of 165 million consumers. As recent experience has shown, the Community provides new guarantees for all sides of industry whatever the prevailing economic situation may be.

### EUROPEAN ECONOMIC COMMUNITY (Common Market)

On January 1, 1958, this first Community was joined by two others, established by treaties signed in Rome on March 25, 1957. The first of these, generally known as the Common Market, has the task of applying to the whole economic structure of the six countries principles which are in many ways similar to those tested in the E.C.S.C. It aims to integrate them into one common market and customs union, with a common Social Fund and a European Investment Bank, over a period of 12-15 years.

Internal customs tariffs will be abolished during this period; a common external tariff will be established, and steps will be taken to introduce free movement of labour, capital and services within the Community. Common policies for agriculture and transport will also be introduced, rules of competition will be laid down, and—for an experimental period of five years—the overseas territories and countries having a special relationship with the Six will be associated with the Common Market.

## EUROPEAN ATOMIC ENERGY COMMUNITY

(Euratom)

This Community has the task of speeding the development on a Community basis of nuclear industries in the six countries for peaceful purposes. It will introduce on January 1, 1959, a common market for nuclear materials; it will lay down measures for the control of nuclear materials, for security and for the protection of the health of workers in the Com-

munity, and will also—through a supply agency—ensure regular supply of nuclear materials; and it will be able to undertake joint enterprises. Special fissile materials will be the exclusive property of the Community and the Community will also undertake programmes of research and training.

## A Nordic Market?

THE Northern countries cannot silently accept the discrimination that will result if the six Common Market countries start liquidating the trade barriers without a positive decision in one form or other having been reached on the establishment of a Free Trade Area. Sweden's Prime Minister Tage Erlander is quoted in Stockholm papers as having stated in a speech at the sixth session of the Nordic Council in Oslo last November. Such discrimination would be incompatible with the collaboration so far carried on in Western Europe, he added.

Touching upon the subject of Northern economic collaboration, Mr Erlander said that a Northern Common Market must not be regarded as an alternative to a West-European free trade area, nor

*From S.I.P. Bulletin, Swedish International Press Bureau, Stockholm, November 11, 1958*

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## Two Commonwealth Views on the Price of Gold

### (1) SOUTH AFRICA

**SPEAKING** at the meeting of the International Monetary Fund in New Delhi, the Minister of Finance, Mr J. F. Naude, said that an increase in the world price of gold was indispensable to solve the problem of international liquidity. He argued that the problem of international liquidity would remain until the level of reserves in relation to claims on them was sufficient to maintain confidence under such adverse conditions as could reasonably be expected. These included a persistent decline in the purchasing power of reserves through the rising trend of world prices.

'This object must be achieved', said Mr Naude, 'without recourse to exchange and other controls. We see no practical method of securing this except through a substantial increase in the monetary value of the world's gold reserves, in the attainment of which quite ob-

viously an appreciable increase in the world price of gold is indispensable.' Measures such as an increase in the Fund's resources would, in a sense, merely redistribute it. An increase in the fund's resources would, moreover, entail immediately or in due course a call on members' convertible currency reserves and in consequence a decline in their own liquidity.

Earlier, in Montreal, Dr A. J. R. van Rhijn, then Minister for Economic Affairs and now High Commissioner Designate in London, also spoke of the gold price question. In Canada for the Commonwealth Economic Conference, Dr van Rhijn said that America would find out for itself in the future that it was impossible for the world to maintain exchange balances at the level they should be without an increase in the price of gold.

*From South African Progress, November, 1958*

### (2) CANADA

**INCREASING** volumes of foreign claims on American gold, added to the actual loss of bullion to foreign buyers—mostly European Governments or their agencies—have placed gold holdings in a position that might require a higher gold price to bring the value of dollars into more realistic alignment with other currencies and with its declining purchasing power within the U.S.

Foreign interests have potential claims on United States gold total-

*From Toronto Globe and Mail, November 19, 1958*

ling about \$26,000,000,000. This breaks down, according to a September analysis, into the recent loss of \$2,000,000,000 in gold by shipments of bullion abroad; about \$15,000,000,000 of foreign demand deposits kept in the U.S., and an additional \$9,000,000,000 of U.S. stocks and bonds held by foreign investors.

the U.S. gold reserve is currently placed at about \$21,000,000,000, the official reason for so far refusing to raise the price of gold—namely, the need of maintaining 'a sound dollar'—seems to have lost its force.

As a matter of fact, the deposit of a considerable amount of U.S. gold with the International Monetary Fund would have the same effect as an upward valuation from the present \$35 per ounce. It would enable the expansion of I.M.F. credits to other Governments to strengthen their economies, finance exports, and minimise the hazard of world in-

flation. Russia also would benefit. But Russia and her associated satellites already are expanding their world trade and in some instances determining the terms on which the Western World must compete in world markets. By keeping the major control within the jurisdiction of the I.M.F., with the help of gold backing, the share of Communist trade in world markets would be kept within just proportions. Perhaps reports that Washington is weakening in its resistance to any change are well founded.

## Britain Has Them, Too

IN matters of rockets and guided missiles, Canada's attention seems to be focused on the United States. Ottawa announced in September that it was negotiating for the purchase of the U.S.-made ground-to-air Bomarc; and last month that the Canadian Army was to get the U.S.-made ground-to-ground Lacrosse. We will also get air-to-air missiles from the U.S. What of Britain? Has any consideration been given by Ottawa to purchasing—or, preferably, manufacturing here in Canada—the missiles Britain has developed?

While the British missile programme has never achieved much publicity, enough has been disclosed to indicate that Britain now has perfected, or has under development, a whole 'family' of missiles, both for attack on ground targets and for intercepting and destroying hostile planes. Among them are the following:

1. The Firesireak, a rocket designed to be fired from aircraft, which guides itself automatically to hostile planes.

*From Toronto Globe and Mail, November 19, 1958*

2. The Bloodhound, a surface-to-air anti-aircraft missile which likewise 'tracks' its prey, and is reported to have an unusually long range for a weapon of its kind. It appears to be the British opposite number to the U.S. Bomarc. It is interesting to note that Sweden—an uneasy neighbour of the Soviet Union—has already placed an order for Bloodhounds.

3. The Black Knight, an experimental rocket intended to reach an altitude of 1,500 miles.

How these and other British weapons compare with corresponding American models is something, of course, which only experts can decide. It is to be hoped, however, that our Department of National Defence will make the comparisons before it commits itself irrevocably to purchasing or, preferably, manufacturing, U.S. missiles. Britain has been the pioneer in many branches of scientific warfare—radar and jet aircraft are only two among numerous examples—and its products in this new and critical field certainly deserve careful examination.

## Italy's New Role in the Mediterranean

BY RENATO FRONTE

*The author has taken an active part in Italian politics and was militant in one of the centre parties*

ITALY has vital interests of her own in the Mediterranean area; but are they in harmony with Europe's wider interests and the need to establish a Eurafriean community?

Italy's eternal problem is well known: too few natural resources and too many mouths to feed. The ideal solution would be mass emigration, but no country is willing to take Italians in meaningful numbers. To ensure her people a minimum living standard, Italy must export in order to buy the raw materials and sources of energy with which to open new opportunities for work. In this respect, the Middle East and Africa represent ideal markets. Italy can pay for part of the raw materials with her machinery and chemicals.

Italy must also take into account the fact that along the southern shores of the Mediterranean there are numerous, and sometimes fairly rich Italian communities (e.g. in Tunisia, Tripolitania and at Alexandria in Egypt). They represent a responsibility, for their interests must be defended, but also an asset since they facilitate the work of economic penetration.

Another positive element is that Italy has no longer any colonies, nor any obvious colonial ambitions, and her motivations therefore do not arouse suspicion. Exploiting this advantage, Italy has made oil deals with Iran, Egypt and Morocco.

To consolidate her economic advantages, Italy has undertaken a political offensive to gain the friend-

ship and support of the governments in the area. The problem is whether this offensive, pursued in the name of Italy's national interest, favours or not the general interest.

Italy has often said that she aims at mediating between the West and the Middle East, and this purpose is especially apparent in the Christian Democratic government of Premier Amintore Fanfani. In all fairness, it must be said that Italy has never allowed this desire to run counter to her obligations towards the West. During the recent crisis in the Middle East, while urging a greater understanding of 'Pan-Arabism' (as Nasser's imperialism is being called), Italy did not hesitate to allow the United States to use Italian air and naval bases for the transport of troops and material into Lebanon. During his visit in Washington, shortly after the American landing in Beirut, Premier Fanfani stressed the country's loyalty to the West. Since Italy is committed to the West, he said, there can be no question of mediation.

This is undoubtedly true. Mediation, as understood in Rome, means an effort to interpret the West to the Middle East, and vice versa. It would be primarily an 'educational' campaign to enable the two areas in which Italy has interests and commitments better to understand one another.

### Middle East and North Africa

However, an effort to explain the *From The Mediterranean and Eurafrica (the Mediterranean and Levant Press of New York, Inc.), September-October, 1958*

Middle East to the West implies a degree of approval of that which is being explained. Rome has only too often found herself in the position of seeming to defend Nasser and his aims. This attitude has been severely criticised in the more responsible political and journalistic circles, especially when Premier Fanfani accepted Nasser's invitation to visit Cairo. These circles hold that Italy could not pursue such a policy without loosening her ties with the West, and often embarrassing her allies.

A policy of mediation need not however be wholly negative, provided Italy does not overreach herself. The present government, it should be remembered, cannot serve only the country's and Europe's interests, since whatever it does must be in tune with the general aims of the Vatican. Because of this consideration, Italy's political game in Lebanon has largely played into the hands of Nasser. But in Palestine, her role has been somewhat more constructive. There the Vatican is particularly interested in avoiding strife that may endanger the Holy Places and free accessibility to them. And since the Vatican realises that Israel would never go under without a strenuous fight, Italy is on the whole very friendly towards the Israeli government, and interested in promoting at least a *modus vivendi* between Jerusalem and the Arabs.

Italy's policies towards North Africa are open to even greater objections. Despite all official denials, these policies consist in strengthening the country's economic and political influence at the expense of France.

Italy reasons that France's role in North Africa is on the wane, and the Italians might as well take advantage of the situation. But the validity of the forecast is doubtful, and it is clear that the general interest of Europe would dictate a policy of close co-operation with France.

#### **Eurafrica: Ideal and Interest**

'Eurafrica' will not be born in a day. It must develop around a nucleus that for historical, political and economic reasons can be formed only by a system of close co-operation between France and North Africa. The latter is a bridge between Europe and the entire African continent, and can replace France in the task of strengthening this bridge.

The establishment of Eurafrica holds such great hope for Italy's future that no short term gains should be allowed to endanger it. How else could Italy solve, at least in part, her pressing problem of surplus manpower? Where else could she get the raw materials needed for her industrial life and expansion? Separated from Africa, even the 'European Common Market' would not be able to reach its generous aims,—and no country in Europe stands more to gain from it than Italy.

A great Italian foreign minister, Count Carlo Sforza, once told me that idealism is often the supreme form of realism. This truth has special force in the Mediterranean today, because there the chances of prosperity and security are great for people of vision.

## **Rural Economy**

### **(1) COMPOST AND PUBLIC HEALTH**

#### **Experiment in Bangkok**

SANITATION is a major problem for Asian cities suddenly faced with 'modernisation.' But Bangkok—population 1.2 million—will take a big step towards better sanitation when its municipal compost plant goes into operation in June. The largest mechanised plant of its type in the world, it will help to improve sanitation, dispose of all of Bangkok's refuse, and provide fertiliser for farmers in the vicinity. Now in the first stages of construction, the £750,000 plant, which is being put up by John Thompson Industrial Constructions, U.K., and their consultants, Compost Engineers, Ltd, may also prove a model for other South-East Asian municipalities, and Rangoon and Manila have already shown an interest in its possibilities.

#### **Organising Propaganda**

A 'master' plan for municipal development has been drawn up, and will mean a heavy outlay. But cost is not the only consideration. Around Bangkok, for example, much of the land is only just above sea-level, which makes the installation of a drainage of sewage system difficult. Because of this, the compost project may prove one of the most important—and, in the long run, one of the cheapest—installations. It could, in fact, be a 'pilot' for other Thai cities.

Though Dr Saeng's personal pre-occupation is with health, he also readily admits that the plant's fertilizer production can be extremely useful. Thailand's imports of fertilisers cost her about 50 million Baht a year, and though the plant's output will not reduce this significantly, once it is in full operation it will turn out 1,000 cu. yds. of compost a day—enough to meet the requirements of the market gardeners who supply the capital's markets with foodstuffs. A company is to be formed to handle the packaging, sale, and distribution

#### **Thirty Years' Study**

Credit for this project largely goes to Dr Saeng Sudthipongse, Chairman of Thailand's Composting Committee, who during his recent visit to Britain told *Far East Trade* that nearly 30 years ago he began to work on composting and to study its relation to public health. As Chief Medical Officer of Bangkok he realised the need for hygienic disposal of refuse and the useful contribution it could make if converted into compost, and through his own researches designed and operated a zythohermic cell to observe the degree of breakdown of local garbage and the temperature-duration requirements necessary to destroy harmful pathogens.

Dr Saeng's country has a con-

*From Far East Trade, December 1958*

of compost; and Dr Saeng intends to enlist the help of newspapers, radio, and T. V. to persuade farmers to use the packaged fertiliser. This in itself should cut down disease.

One further point is the running of the project. Thailand is not alone in being short of engineers, though many Thais study abroad (900 are in the U.K. at the present time). The

newly-appointed production manager, Mr Biebhavi Bhayungvej, himself a trained engineer, has spent some time at John Thompsons studying the problems involved, and the U.K. firm and their associates have undertaken to give training to other technicians who will ultimately share responsibility for the Bangkok project.

## (2) FARMERS' DISCONTENT IN WALES

By E. S. NAPIER

THE continued depopulation of Wales in the post-war years has been largely due to deliberate Government policy, favouring as it does the medium-sized and large farm unit at the expense of small holdings and hill farms in particular. Yet in earlier decades these hill farms provided a reasonable livelihood for their occupiers and their families; but in those days 'economic viability' was not yet a stick with which to belabour the small farmer! With the passing of world food shortages and the emergence of glut in a few farm products—temporary, as the recent steep rise in the price of butter shows—political pressure to harden the farmer's so-called feather-bed-by-subsidy has increased, as the lessons of the war are being forgotten. The Agriculture Act, 1957, which has repealed some of the most beneficent provisions of the 1947 Act, as well as the recently introduced Agriculture (Small Farmers) Bill, are proof of our short memories and lack of long-term foresight. As to Welsh farming it can hardly surprise that discontent with rule from the centre has found expression in the

break-away Farmers' Union of Wales. As the recently issued 'Statement of Policy for the Farmers of Wales' shows, discontent has been far less with the day-to-day administration in the N.F.U. than with the latter's relative lack of success in pleading the lot of the small man and particularly the occupier of marginal hill land.

### No Such Animal

The 'Small Farmers' Bill will not assuage Welsh tempers. As *The Times* Agricultural Correspondent points out it is futile to attempt to define a 'small farm' as, even in the experience of many farmers on relatively productive soil, no such animal as a 'small farmer' really exists. The Government's intention—reading between the lines of the White Paper explaining the Bill—is clearly that, in return for a non-recurring capital grant not exceeding £1,000 a holding, payable over three years and restricted to the improvement of grass-land and for the purchase of stock and stock-rearing equipment, other assistance to the industry shall be

pared down substantially in the next Annual Price Review; and this at a time when the Marginal Production Grant Scheme is to cease altogether! How little the Welsh farmer stands to benefit by the new measure is shown both by the limit on the size of eligible holdings (20 to 100 acres, but starting at 10 acres where marginal grant has been payable) and the introduction of a 'standard man-day' with 250 s.m.d's a year as the minimum labour content of a farm's economy. Undeniably very few small Welsh family farms can satisfy such criteria and the main effect of the capital grant scheme must be intensified drift into urban activities across the border, even lower living standards for those intent on carrying on,

and a hardening of the urge of non-co-operation as evidenced of late by the constitutional crisis in the Council for Wales and Monmouthshire. With the possible exception of the industrial belt in the South (including rural Pembrokeshire) the Principality is fast becoming an economic no-man's-land, whose ills—not forgetting the understandable urge to preserve a beautiful language and an old culture—will only be cured by decentralisation and divorce from Whitehall. The make-believe of a Welsh Department for Agriculture, acting, as the writer can testify from personal experience, solely as a postman for Whitehall and not as a stout defender of Welsh needs, is a glaring case in point.

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## Japanese Trade—with Britain

THE U.K. imports from Japan reached a new record in 1958 but U.K. exports to Japan (due to general import restrictions imposed by Japan) decreased considerably during the first nine months of 1958. It is, however, expected that as a result of the strengthening of Japanese foreign exchange position the country will increase her imports in the near future. While the U.K. had a favourable trade balance with Japan amounting to nearly £6 million during the first nine months of 1957, she had an unfavourable trade balance of about £8 million during the first nine months of 1958, thus reverting to the position of the first nine months of 1956 when the unfavourable trade balance amounted to £6.5 million.

During the first nine months of 1958 U.K. imports from Japan included fish and fish products, £9,899,015 (as against £5.9 million during the corresponding period of 1957), fruits, vegetables, including canned fruit, £3,834,280; tea, £60,350; raw silk, £403,280 (U.K. total imports of raw silk amounted to 504,160 lb. and included 285,778 lb. from Japan and 127,377 lb. from China), miscellaneous animal and vegetable crude materials, £187,267; chemicals, £849,237; non-coniferous wood, £1,088,018; plywood, £1,771,853; unbleached cotton fabrics, £1,826,327 (as against £2,423,490 during the corresponding period of 1957); man-made fibre yarns and fabrics, £445,264; iron and steel, £239,380; non-ferrous base metals, £370,030.

U.K. exports to Japan included supplies to the Japanese wool industry and included during the first

nine months of 1958 raw sheep's and lambs' wool, £308,961; wool tops, £1,273,366 (as against £2.6 million during the corresponding period of 1957); wool waste, £982,974 (as against £2,046,849); as well as woollen and worsted yarns and woven fabrics to the value of £2,252,760 (as against £3,092,615). The 1958 exports included worsted yarns, £69,482; woollen fabrics, £1,232,484 and worsted fabrics, £605,706.

Other important exports to Japan included machinery (other than electric) to the value of £3,070,607, and it is significant that the exports of textile machinery increased from £274,872 during the first nine months of 1956 to £681,693 during the corresponding period of 1957 and to £1,074,384 during the nine months of 1958. Machinery exports included also those of office machinery, valued at £103,564. Exports of electric machinery apparatus and appliances, £409,426.

The U.K. also exported to Japan during the first nine months of 1958 road vehicles, £416,822; scientific instruments, £224,509; chemicals, £1,376,485 (including chemical elements and compounds, £266,013 and dyeing, tanning and colouring materials, £344,023); and whisky, £339,564.

In addition to the prospects for higher exports to Japan there are also possibilities for various industries in the U.K. to enter into agreement with Japanese firms on production in Japan under licence and of selling 'know-how' to Japanese firms. The recently announced list of technologies which Japanese industries would like to secure abroad include manufacture of high performance machine tools, production of heat-

*From Eastern World, December 1958*

involved in this cancellation reached £35,060,000.

The main items of this year's Japanese-Chinese trade are about the same as last year's. The most important imports of Japan were agricultural products (soya beans and other miscellaneous beans and rice), while her principal exports were chemical fertilisers and steel.

### —with the Soviet Bloc

Soviet-Japanese trade is still on a small scale, but it is significant that the 1957 value of this trade amounted to 4.5 times the 1956 value. According to Soviet statistics, imports into the Soviet Union from Japan reached the value of 34.7 million roubles in 1957—showing an eleven-fold increase compared with 1956 imports which amounted to only 3.1 million roubles. Soviet exports rose from 11.9 million roubles in 1957.

Soviet exports to Japan in 1957 included 388,300 tons of coal valued at 17.9 million roubles, 29,000 tons of chrome ore at 5.6 million roubles, and wood and timber at 8.7 million roubles. The 1957 Soviet imports from Japan included ball bearings, 3.9 million roubles; rolled iron and steel goods, 8.6 million roubles (12,300 tons); metal products, 4.2 million roubles; conveyor belts, 6.7 million roubles; cables, 1.2 million roubles; synthetic silk yarn, 6.4 million roubles (1,500 tons); silk tissues, 1.2 million roubles.

Japan's proximity to the Soviet Far East tends towards greater trade between the two countries. Recently, Japanese businessmen have also shown increased interest in trade with other East European countries and some Japanese trade missions have visited these countries.

During the visit to Czechoslovakia,

proof alloy and heatproof steel, manufacture of jet planes, including engines and auxiliary apparatus, certain types of electronics and products from natural gas by distillation or cracking of petroleum, as well as high productivity and automatic techniques in various industries.

### —with Communist China

Japan's trade with Communist China, on the whole, has been on the increase for the past few years, although it showed a decrease last year of about 10 per cent from the previous year in total exports and imports. Last year's total was approximately 140 million U.S. dollars. The main imports of Japan were soya beans (29.5 per cent), beans (9.7 per cent), coal (8.9 per cent), salt (7.1 per cent) and magnesia clinker (6.7 per cent), while her main exports are chemical fertilizers (23.0 per cent), steel (20.3 per cent), and machinery (15.1 per cent), and chemical fibres (8.4 per cent).

With the conclusion of long-term contracts for chemical fertilisers and steel in the early part of this year, and the expectation that the COCOM embargo list would be substantially relaxed in August, it seemed that prospects for expansion of Japan's trade with Communist China were very bright. As a matter of fact, Japan's exports to Communist China in the January-May period amounted to \$48,190,000, that is a monthly average of \$9,600,000. If this rate was to continue, it seemed certain that the annual total of Japan's exports to Communist China would exceed \$100 million. However, Communist China unilaterally cancelled all contracts on May 10, except those for which the letters of credit had been issued. The total amount in-



a group of Japanese businessmen discussed with Czechoslovak import and export corporations the possibility of developing trade between the two countries, and have expressed interest in Czechoslovak machinery,

while the Czech corporations were interested in importing textile raw materials including artificial silk, synthetic silk, woollen yarn, as well as whale oil, non-ferrous metals, and other products.

## China's Impact on World Economy

CHINA is now making a major contribution towards raising the level of world trade. This December is the last month of the 'Year of the Leap', and there is already evidence—before the final totals are known—that she has indeed *leapt* forward as a force in international trade.

Arguments that were brought up so persistently to prove Chinese inability to contribute to world expansions are now being heard less and less.

A glance at the current market reports shows how China has augmented the flow of trade. Export shipments of rice, textiles, meat products, animal foodstuffs, dyes, stuffs, chemicals, fibres, coal, paper, and now machinery, apart from the 'traditional' commodities (groundnuts, egg products, tea, furs, and the like), are figuring in trade returns from the Commonwealth, Continental Europe, South-East Asia, South America, Africa, and the Middle East, as well as from Russia and Eastern Europe.

Her import shipments likewise reflect the sizeable orders placed in Britain, Western Europe, and other non-Soviet, as well as Soviet, countries during the last few months. The two-way nature of her trade has been particularly noted in British circles, which have always upheld

the 'buy as well as sell' principle as being more realistic than isolation. And it is evidence of Chinese far-sightedness that the embargo has not been allowed to limit her efforts to uneconomic 'self-sufficiency' projects.

### The Commonwealth Interest

Some 40 per cent of world trade is settled in sterling; and since it benefits London to see this figure increased by China's use of sterling, an up-to-date appreciation of her international economic importance is demanded of Britain.

China's rôle, moreover, is not confined to trade. She is also an 'importer' of Western techniques and know-how; and, if allowed, is likely to become an exporter of her own skills. (South-East Asia is already benefiting from her engineering services.) The world is at present, unfortunately, deprived of her ideas at the United Nations and in the U.N. specialised agencies.

It is high time this situation was changed. Many Commonwealth countries share the desire that this shall be done before another year is out.

Both Russia and China are already entering the whole field of international trade, and it is to the interests of the West that this should be encouraged.

*From Far East Trade, December 1958*

## Black Lists

*Specially contributed by LORD MESTON*

THE term 'black list' is generally applied to lists of names published in trade or other journals for the purpose of warning their readers or the public against dealings with the persons named.

Is a black list lawful? There is no absolute and final answer to this question. This is unsatisfactory from the point of view of the reader who, very properly, objects to numerous 'ifs' and 'buts' and other qualifications in any reply to his inquiries. However, there are certain principles applicable to black lists which should go a long way to clear up the question of their legality or otherwise.

A Black List may appear in various forms. It may consist of the publication in a journal of those who have been adjudicated bankrupt, or have made arrangements with their creditors, or have granted bills of sale on their personal effects, or against whom judgments have been entered. Register.

Then there are various types of Official Registers kept by law. For example, there are Registers of Judgments, bankruptcies, bills of sale, and deeds of arrangement.

These Registers are open to public inspection. The publication of such lists in Official Registers is privileged, and an action will not lie for the publication unless the privilege has been abused. Such abuse might arise if the publication was for the purpose of extorting money, or to gratify a feeling of revenge. But so long as the publication is *bona fide*, and without actual malice, it is not actionable.

### Malice and Privilege

As we go on investigating this

problem, we will see that *Malice* is the principal deciding factor. This makes it necessary to say a few words about the subject of *privilege*. It is a defence to an action of defamation to prove that the circumstances in which the defamatory words were written or spoken were such as to make it right that the defendant should plainly state what he honestly believed to be the plaintiff's character, and speak his mind fully and freely concerning him. In such a case, the occasion is said to be *privileged*. These privileged occasions are of two kinds, namely:

(i) Those absolutely privileged, as in Parliamentary and Judicial proceedings. In these cases the privilege afforded by the occasion is an absolute bar to any action; and

(ii) Those in which the privilege is qualified. These may arise, for example, from duty or common interest, or self-defence. In such cases it is open to the plaintiff to destroy the *prima facie* privilege arising out of the occasion by showing that the defendant acted from an improper motive. Such improper motive is called 'malice'.

The general rule is that it is actionable to put a man's name on a Black List, with the object of inducing people not to have business with him, or with the object of bringing him into public odium and contempt. A very famous Judge said over fifty years ago that 'Black Lists are real instruments of coercion, as every man whose name is on one soon discovers to his cost'.

The application of the above rule necessitates a certain amount of hard thinking. It may be argued that, whatever may be the real object one

has in mind in putting a man's name on a Black List, the effect of so putting his name on that list is to induce people not to do business with him. Therefore, putting a man's name on a Black List is an actionable wrong without any further argument. That may be logical, but logic and law and practice do not always coincide in dealing with the affairs of life. Trade Unions—and in a lesser degree, Trade Associations—have a legitimate interest in protecting their own members from varying types of misfortune. The justifiable exercise of this interest depends, among other matters, upon the manner of its exercise.

#### Contrasting Cases

Two leading cases will explain what is meant. In *Trollope & Sons, v. London Building Trades Federation*, the defendants printed and circulated a large poster with a black boarder, headed 'Trollope's Black List' containing the names of all the non-union men employed by the plaintiffs, and of all union men who had disobeyed the defendant's order calling them out. It was held that the plaintiffs were entitled to an injunction to restrain any further circulation of this Black List on the ground that its publication was a purely malicious Act, unnecessary for the protection of the defendants, or the men whom they represented, actuated by ill-will and intended to injure the plaintiffs and the men who still remained in their employ.

On the other hand in *Newton v. Amalgamated Musicians' Union*, the defendants placed the plaintiff's name on a Black List, headed, 'The following musicians have been expelled for assisting the theatrical manager therein named in his endeavour to crush the union. Please make a mark

against their names, so that if you meet them you will remember the reason for their expulsion', but the list was marked strictly private, and for the use of members only, and published only to members of the union to which the plaintiff had belonged. The Court refused to grant the plaintiff an injunction to restrain any further circulation of this Black List.

The distinction between the two above-mentioned cases requires little elaboration. In *Trollope's case* the matter in dispute—apart from any question of its merits or demerits—was ventilated far and wide outside any reasonable circle. In *Newton's case*, however, the matter in dispute was only published to those members of an organisation who had an interest in the matter.

#### Promotion and Protection

The Defamation Act, 1952, gives a qualified privilege to the decisions of an Association which has been formed in the United Kingdom for the purpose of promoting or safeguarding the interest of any trade, business, industry or profession, or of the persons carrying on or engaged in any trade, business, industry or profession, and empowered by its constitution to exercise control over or adjudicate upon matters connected with the trade, business, industry or profession, or the actions or conduct of those persons. The defence of qualified privilege, however, will not prevail if publication is proved to be founded on malice.

This leads us to ask: What is the position of a report made to a subscriber by a trade protection agency as to the credit of a specified person? The answer is that such a report—even if inaccurate—would be privileged if made without malice. Simi-

larly a circular list would enjoy qualified privilege, even though it were sent unsolicited by the agency to its subscribers.

Then there is the case where Trade Protection Journals supply lists of defaulting debtors to their members by post and also orally at meetings. As this is one of the recognised functions of Trade Protection Associations and their journals, there is nothing objectionable in this practice. There must, however, be no doubt about the debtor being in default, and no comments should be published in addition to the bare list of names. On the same basis it is in order for a local retail Trade Association to mention at its meeting the names of defaulting debtors. But there should never be any comments made in addition to the mere mention of names.

There are other actual cases which have arisen, or may easily arise, in everyday business. There is the case of the trader who has threatened to publish on his window a list of customers whose credit is overdue. Is it in order for him to do this? The answer is that theoretically it may be such a list, but in practice it is not desirable to do so. It might well be argued that to put a person's name on such a list in a shop window is to bring that person into public odium and contempt. Assuming in every case that there is no doubt that the customer's credit is overdue, it is carrying the matter too far for

*Continued from page 1*

Arthur came from a place called Little Rock, Arkansas; Marshall, Virginia Military Academy; Mark Clark, South Carolina; Patton and Spaatz, Louisiana; Nimitz and King, Texas Agricultural and Mechanical College. Almost the entire Marine

the trader to publish that customer's name in the shop window.

#### Effect of the 1956 Act

The subject of Black Lists must now also be considered in relation to the Restrictive Trade Practices Act, 1956. In the past some Resale Price Maintenance Associations have printed in the columns of their official journal the names of retailers who have sold articles on their protected list at less than the protected price, warning their manufacturing and wholesaling members not to supply those recalcitrant members. Can that be done now? Certainly not; any such publication would be flatly against the provision of the Restrictive Trade Practices Act, 1956. It will be remembered that this statute does not abolish the practice of resale price maintenance but it does prohibit the *collective* (as distinct from the individual) enforcement of that practice. Furthermore, specific recommendations made by, or on behalf of a trade association as to the action to be taken, or not taken, by them in relation to the supply or acquisition of goods is a matter which must be registered under the Restrictive Trade Practices Act, 1956, and is deemed to be contrary to public policy unless and until the reverse is proved. Therefore, whichever way we look at the subject, the above-mentioned publication of names and a warning not to supply persons so named is not a lawful practice.

Corps are Southerners. Eisenhower was a borderline case, Kansas—as Field-Marshal Montgomery points out! General Norstad only is a Northerner from Minnesota, whose N.A.T.O. activities suggest that he is the exception that proves the rule.



## Answering, for You

ASK an Englishman if he's got an answering-service and it is a hundred to one that he will ask you, 'What is an answering-service?' Yet there is seldom a minute passes—day or night, the year long—when a telephone-secretary, employed by an answering-service, is not busy writing down a message on behalf of one of her company's clients.

It all began in the U.S.A. in the early 1930's (reaching this country some ten years later), and now at least one or two cities in most countries can provide a type of service. The technicalities vary a little, as do standards of telecommunication, and in France for instance the one service is still run as a part of the actual telephone system. In any large American city, on the other hand, the would-be subscriber has the choice of literally dozens of different companies, all commercially owned.

In London there would appear to be three different concerns who are licensed to operate, in healthy competition, the services they offer. The first of these—the pioneer—has in ten years opened up three additional branches and now spreads right across London. The second firm, which opened its doors a year ago last June, and a third company which is but three months old each has one office.

The one fundamental fact which must not be forgotten and should be trumpeted from the rooftops is that the Commonwealth cannot be stopped from growing and that, acting in consort, its component parts still have it in their power to regain the proud title conferred upon it by a former Canadian Prime Minister, 'The greatest influence for good since the coming of Christianity'.

From the *Monthly Bulletin* issued by the *Commonwealth and Empire Industries Association*  
December 1958

### 'Don't Do It Yourself!'

Broadly speaking, the answering-service exists to take messages during any such times as the subscriber cannot (or has no wish to) answer for himself. These calls are accepted either on numbers belonging to the service, or on a type of extension which enables the operator to answer with the subscriber's own number—thus giving the impression that she is actually sitting in an office which is possibly a couple of miles away from her actual switchboard.

Most calls are messages which will later be rung for by the client, but sometimes she has information to be given out to callers or has to take immediate action (service calls must often be relayed).

Certainly for many a one-man business and for those whose responsibilities extend over twenty-four hours, an answering-service solves many problems.

The rigorous standards so carefully maintained by the Post Office here in all telecommunication, together with the limitations imposed by the Treasury, have so far kept a brake on progress. What has been done, however, has been well done, and the vigorous programme now being embarked upon by the P.M.G. gives much hope for the future. The realisation of these plans will, without doubt, bring a corresponding leap ahead in the field of answering in Britain.

## Digest Reviews

*D. Halévy, A. Maurois. (Plon; 750 Fr.)*

The Book Society did well to recommend Mr Humphrey Hare's excellent translation of M. Robert Aron's remarkable and almost definitive work. Not only is this a thorough and irresistible account of a national tragedy; but it bears witness to the dispassionate scholarship of its author, who is so just not only to the Marshal and those who decided that to obey Vichy was the course of legality and honour but also to the Germans that few would guess that M. Aron is a Jew and was a supporter of the de Gaulle resistance.

Plon's two latest in the series *Tribune Libre* are admirably timed. M. Hamon discusses questions the world is asking about the Fifth Republic, whose constitution M. René Capitant, in an important preface, describes as liberal. The attitude of General de Gaulle and his adherents to the European Economic Community has been much debated. The author of *The Vichy Régime* is among the distinguished Frenchmen who have contributed to a symposium which accepts European federation but also advocates decentralisation of power and initiative to localities. Whether this is practicable may be doubted and the fly-leaf bears an ominous quotation from Proudhon: 'Le XX<sup>e</sup> siècle ouvrira l'ère des fédérations, ou l'humanité recommencera un purgatoire de mille ans'.

The revival of French national confidence is based not only on constitutional reform but on economic recovery and expansion which have overtaken the somewhat gloomy appraisal contained in Mr Baum's careful and useful study.

### HEAD OF THE COMMONWEALTH

*The Work of the Queen, by Dermot Morrah. (Kimber; 21s.)*

Month after month books come out dealing with royalty—a subject which appears to have an inexhaustible fascination. Here is one which is really valuable to the student of affairs. It shows with a master hand what the actual function of the Sovereign is and what a place she occupies in that smooth conduct of government without which our island life and business would have less stability.

Sentimentality about royalty has its dangers, and, as we saw at the time of the abdication, any jar in the working of the monarchy has immediate and disastrous effects. But when we see just what the Queen is doing and the hard work of her immediate attendants, then we can appreciate the full value of her immediate and stabilising function, and do so with extreme enjoyment.

ROBERT SENCOURT

### FRANCE:

#### DECLINE AND RISE

*The Vichy Régime 1940-44, by Robert Aron, in collaboration with Georgette Elgey. (Putnam; 42s.)*

*The French Economy and the State, by Warren C. Baum. A Rand Corporation Research Study. (Princeton University Press; 60s.)*

*De Gaulle dans La République, by Léo Hamon. (Plon; 750 Fr.)*

*L'Ère des Fédérations, by R. Aron, J. Barret, H. Brugmans, G. de Carnoy, D. Daujat, J.-M. Martin, J. Maze, B. Motte, L. Perillier, M. Richard, P.-H. Teigen, J. Tessier, G. Vedel, A. Voisin, B. Vovenne,*

## MEMBERS AND MACHINES

*People and Parliament*, by Nigel Nicolson. (Weidenfeld and Nicolson; 18s.)

The Conservative Party in Parliament is tolerant of its minorities; Conservative Associations in the constituencies claim a greater conformity than is deemed necessary by the central Party machine. What Burke said to the Bristolians is anything but holy writ to the devoted voluntary workers who man the local organs of Conservatism. They are inclined to identify their creed with the official policy of the day and to expect the candidate for whose election they toiled to vote accordingly at Westminster. Latitude to 'the Right' is sometimes permissible, just as a Divisional Labour Party, at least as intolerant of deviation in its Member, may well support him in a more extreme brand of Socialism than Mr Gaitskell's. But Mr Nicolson rebelled against Sir Anthony Eden for the opposite reason: the Suez Group refused the whip with widespread support in the country: he shared with Liberals and Socialists the opinion that a police action against U.N.O. and the U.S.A. was wrong and foolish. There were differences, for example, on capital punishment; but Suez—the Calais of the second Tudor age—is the reason why Mr Nicolson is Conservative Member for Bournemouth East and Christchurch but Major James Friend is Conservative candidate in that Division. A Member has the right, and sometimes the duty, to rebel; political organisations have the right to choose.

Nevertheless there are dangers to the constitution which Mr Nicolson ably describes in a book which tells electors something of the life to

which they commit their representatives. If Sir Winston's constituency association had repudiated him in 1938, as seemed more than possible, the history of the world might have been different. Such is the power of the caucus—and if it is not exercised with responsibility and moderation it will discredit a system of Government on trial in many lands.

## COMMONWEALTH

*The Cabinet in the Commonwealth: Post-War Developments in Africa, the West Indies and South-East Asia*, by H. V. Wiseman. (Stevens and Sons; 50s.)

*What are the Problems of Parliamentary Government in West Africa? (The Hansard Society for Parliamentary Government; 15s.)*

*The Empire and Commonwealth Year Book 1958-9. Seventh Edition: Edited by Ronald S. Russell, M.P. (Newman Neame; 50s.)*

*Frontier Doctor*, by Sir Henry Holland. (Hodder and Stoughton; 25s.)

*Australians, Go Home!*, by Stuart Gore. (Robert Hale; 18s.)

Mr Wiseman has made a most useful contribution to the study of the evolution of British territories in Africa, the Caribbean and South-East Asia from Colonial to Commonwealth status. His book is claimed to be the first comprehensive survey of the development of the Colonial executive to the Cabinet of a responsible state. Human, as well as constitutional, factors are discussed, including the changing and sometimes touchy relationship between Ministers and officials.

This was one of the problems touched on by the Hansard Society during their Conference at St Edmund Hall, Oxford, last year. Events

## SHORTER NOTICES

*Social Economics*, by Walter Hagenbach. (Nisbet—Cambridge University Press; 12s. 6d.)

This is a further volume in the Cambridge Economic Handbooks, now under the General Editorship of C. W. Guillebaud and Milton Friedman. The author discusses social problems in the light of elementary economic theory, and confines his factual material almost entirely to Great Britain. The book is primarily intended for students taking a degree in economics, and some knowledge of elementary economic theory is assumed.

*Price Theory*, by W. J. L. Ryan. (Macmillan; 31s. 6d.)

This book is intended as a textbook for students who are planning to specialise in economics. The author, who is a Fellow of Trinity College, Dublin, describes household purchase plans, and sales plans of business firms. He also discusses the determination of the relative prices of productive services, market behaviour and monopoly.

*On to Timbuctoo*, by Anthony Carson. (Methuen; 12s. 6d.)

Readers of *A Train to Tarragona* may feel somewhat disappointed by the new Anthony Carson. He is at his best in this book when he arrives back in Spain!

*The Essence of Democracy*, by Maurice Cranston. (A Background Book; 2s. 6d.)

Explains what democracy is and is not.

in Ghana have drawn attention to other difficulties accompanying the achievement of independence by a West African dependency under a Parliamentary constitution of the Westminster pattern. West Africans have long known lengthy deliberation and the democratic choice of a chief ruling with the advice of a council; less indigenous—and this explains much of the trouble in Ghana—is the British conception of a continuing and legitimate opposition.

Constitutional, no less than economic, data are freely provided in the latest and still more valuable edition of Mr Ronald Russell's Year Book. The importance of the Commonwealth-Europe relationship has caused him to mention the Council of Europe as well as other international topics affecting the Commonwealth and its members; and there is a brief summary of the Strasbourg Plan which owes much to the Commonwealth method of preferential co-operation and which might suggest a way out of the European Free Trade deadlock. One would like to see in future editions of this indispensable handbook a description of the Sterling Area and its organs.

Missionaries as well as merchants built the Commonwealth and the achievement of humble and God-fearing men like Sir Henry Holland, so greatly beloved by the hillmen of West Pakistan, can hardly be overvalued. This is the lively account of a saintly surgeon who has never grown old despite fifty years of selfless service.

Also to be recommended for easy reading is Mr Stuart Gore's diverting and perceptive account of his experiences of England and some of her very individual people.

**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).

**European Statistics**

**Industrial Statistics: O.E.E.C. Statistical Bulletins.**  
Covering the years 1900 to 1957, presents the principal statistics of industrial production in Western Europe, U.S.A. and Canada, showing the trend since the turn of the century. In English and French. (1017)

**P.E.P.**

**Prospects for Television: P.E.P. (2s. 6d.)**  
Examines programme standards, technical limitations of television, the question of providing more programmes and summarises the possibilities for the future. (1018)

**Economic Development**

**Economic Development of Overseas Countries and Territories Associated with O.E.E.C. Member Countries. (O.E.E.C., Paris.)**  
A report on progress of economic development in the overseas countries and territories that are associated with certain member countries. (1019)

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

**Commercial Policy 1957. General Agreement on Tariffs and Trade. Geneva, October 1958.**  
A report on developments in international trade and commercial policy and on the activities of the contracting parties (1020)

**European Reports**  
**Economic Conditions in Member and Associated Countries of the O.E.E.C.:**  
**Federal Republic of Germany. (1021)**

**France—Canada and United States. (1022, 1023)**

**Benelux—O.E.E.C. Paris. (1024)**

The reports cover the period for eighteen months to the middle of 1958.

**E.P.U.**

**European Payments Union. (O.E.E.C.)**  
The eighth annual report of the Managing Board for the financial year 1957-58. (1025)

**Productivity**

**Freedom of Entry into Industry and Trade, by Preben Munthe. Published by the European Productivity Agency of the O.E.E.C., Paris.**  
Surveys the various aspects of the problems of freedom of entry into industry and trade and discusses the relationship between freedom of entry and productivity. (1026)

**Resale Price Maintenance: published by the European Productivity Agency of the O.E.E.C., Paris.**

Summarises existing knowledge and opinion regarding the practice or resale price maintenance in Member countries and the effects of these practices on productivity. (1027)

**Annual Report**

**British Council Annual Report 1957-58.**  
Surveys the work of the Council during the past twelve months. (1028)

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