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ECONOMICS OF 1960

25 September 1947

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23 September 1947

MR. MASSELMAN: Gentlemen, I don't know what your individual concepts were before you started on this course as to what constitutes economic war potential, but I am quite sure that by now you realize that here in the Industrial College we put great stock in national income. Yesterday, in my lecture, I mentioned the name of Colin Clark as one who has been able to give us figures on national income that we can use.

In the past we sometimes facetiously said that we ought to get Colin Clark here from Australia for a lecture. Very fortunate for us he came to the United States representing his government at the International Statistical Conferences, which were held in Washington during the past two weeks. We took advantage of that fact to ask him to come here. We are very grateful that he was willing to stay here several days longer than he had originally anticipated just to give us this lecture.

I now introduce to you Mr. Colin Clark.

MR. CLARK: General McKinley and gentlemen: I have not been in the United States before. I reached here on September third. I must take this opportunity to say what a friendly and hospitable country I have found it to be. I have been very deeply impressed by the culture, the courtesy, and efficiency of all the people that I have met.

During the war I was living in Brisbane, which many of you may know. I had the opportunity there of meeting a number of American soldiers and sailors. I have many happy recollections of all of them. Among the American military men stationed in Brisbane there was one thing I noticed with considerable admiration. That was the tact and skill they exercised in a country like Australia, where everybody talks politics, in keeping entirely clear of Australian political disputes. Of course, the members of both political parties in Australia respected them the more for it. I shall do my best to reciprocate in that respect and not say anything which could be construed as taking part in any internal dispute in this country. I understand that your policy is the same.

I might say, however, that fortunately defense is now becoming an issue quite above politics. When we get into the question of economic potential we are bound to touch on questions on which your political leaders may have very different views. What you have to do as soldiers and sailors and what I have to do as a civil servant is to get all the facts clear and then try to tell the politicians

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and the public what the true facts are and what the consequences will be. Then they can make up their own minds. Under the American system some of you may be called on some day to be Secretary of State or to hold some other office like that. You never know. Meanwhile neither you nor I wish to take sides, I think it is agreed, on any disputed issues. But we must examine a number of disputed issues bearing on industrial and economic policy.

I was afraid at first that I might have to speak in general terms about what national income is and how it is measured. I was fortunate in having attended Mr. Russell's lecture yesterday and seeing how your sponsors feel. I can see that most of those present know perfectly well what it is all about and have done a fair amount of thinking and reading on their own. Therefore I can come straight to the subject.

As Mr. Russell pointed out, there is quite a difference between money national income and real national income. I will ask you to put money out of mind as nearly as is humanly possible and to try to think in terms of what the economists call real income, that is, to think of actual quantities of goods and services rather than money, which may be valuable today and have very little value tomorrow.

In measuring real national income I shall use what is called the international unit. The international unit has nothing to do with money or bread. It is a quantity of goods and services. It is the quantity of goods and services which you could buy with one dollar back in the period from 1925 to 1954, which happens to be almost the same as what you could buy in 1941. So when we talk about international units, think in terms of what a dollar would buy in the good old days six years ago. Or think in terms of what \$1.60 would buy now, or what more would buy in the case of food.

Now, you want to know not only the capacity of a country to produce real wealth in international units, but you want in the first place, I think, to have a line set this by the measurement of international units produced per man-hour of effort.

There is no need to tell you that any country's war potential or economic potential is the product of two factors--population and the population's capacity to produce per hour of work done. The capacity factor, the potential factor if you like, corresponds to a similar current potential in electricity. The product represents the output produced. But, especially in wealthy countries, there are often people not fit to work or working shorter hours than they could be made to work in a totalitarian country. Therefore I will ask you to think in terms of capacity to produce international units per man-hour. Then a little later we will consider population and its trends and the number of people that will exist in the future capable of either producing or fighting.

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Here again it is a convenient figure to remember that the capacity of the American working population to produce is about one international unit per man-hour. That is not the total population. The working population constitutes only between 35 and 40 percent of the whole. That figure of one international unit was the figure for 1939, 1940, and 1941.

It has been estimated that, strange as it may seem, the real production per man-hour began to fall as early as the middle of 1941. Even at that date there was an element of wartime disorganization; and, as you all know far better than I do, the slightest element of disorganization or holdup of supplies or lack of certain types of labor will soon reduce the product per hour.

Whether the 1941 productivity is being regained in 1947 I cannot say. It is a subject on which the Commerce Department preserves a deep silence and, likewise, the American private statisticians. The general acceptance is that it is being regained; and that it will in the next few years, if comparatively undisturbed, go rapidly ahead.

Now, the second country in the world is New Zealand, with a national income per man-hour of .87. Then come Canada, with .75, Australia with .59, and Britain with .56. Then there is a gap until we come to Germany .46, the Netherlands .45, Norway .41, Argentina .40, and Sweden .39. Then you get the other European countries straightened out in a fairly long line, until you get down to the eastern European countries, like Poland .21, the Baltic States .20, the Balkan States .15, and the USSR .10. Then outside Europe you get Japan .19--slightly higher than the Soviet Union--India .07, and China .03. In the graphic diagram which was exhibited yesterday you saw that China's product consisted mostly of food necessary for bare subsistence.

That is the range of which the world is capable. Between America and China there is a range of almost thirty to one. That question was fairly thoroughly discussed in the International Statistical Conferences. That range of thirty to one is calculated after taking into account the fact that the Chinaman does not need to transport and distribute his food, builds his own house, and other things. If you just took into account the food produced at its statistical value, then instead of .03 it would be .01. That represents as nearly as we can get it the Chinaman's capacity to produce. In other words, it would take more than thirty Chinese man-hours to produce the goods and services produced by one American man-hour.

To give you some idea of the rate of growth I will read you some figures. These figures have not been published. They will be published in the second edition of "Conditions of Economic Progress," which is now in the hands of the printer. I will leave these notes with Mr. Masselman for future discussion and reference.

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The USA figure of one international unit per man-hour represents a very rapid growth from .43 in 1900, to .54 in 1913, to .75 in 1929. The thirties were a pretty miserable period, as everybody knows, but we did at least leave a product per man-hour one-third higher than at the beginning of the period. So even depressions are not entirely wasted.

Canada had a very much slower growth, in fact, the other way around. In 1900 Canada had a higher production per man-hour than America; for that matter, also New Zealand. Canada and New Zealand are countries exploiting primary rather than secondary resources. In Canada the timber resources have to a considerable extent been depleted. In New Zealand there is no question of depletion of resources. On the other hand, the capacity rate is increasing considerably less in Canada.

I might add that New Zealand and, to a less extent, Australia show a very high productive capacity in the primary industries, that is, in agriculture and to a less extent in mining. In Australia the manufacturing worker produces one-third as much per man-hour as the American worker. On the other hand, the Australian agriculturist produces more than twice as much per man-hour as the American. If you want to draw any conclusions from that about the advantages of an international exchange of goods, they can be drawn very well on both sides. They are often not drawn.

The German figure which I mentioned has also shown a rapid increase from .26 in 1900. The British figure has also nearly doubled, although, as yesterday's diagram showed, generally the growth is slower in Britain. But it is still quite satisfactory. The rate of growth is not so slow as it is in France, which is finding it very much harder to make economic progress, though the population is still increasing. There is a very important conclusion to be drawn from that. I will leave it to you to draw it for yourselves.

The European country showing the most rapid rate of progress is Sweden. Once again I will leave you to draw your own conclusions. Sweden is a comparatively free, educated, and cultural country. I will not say it has been free of industrial disputes. It has had very serious industrial disputes. But it seems that Sweden's climate is one of industrial health.

But the world's record is still held by Japan. Japan in 1900 had a production of .03, the same as China at the present time has, or, incidentally, about the same as India in 1870. India under British rule, as the Indians themselves admit, has about doubled its real production between 1870 and the present time. But Japan made far more rapid progress. China, as the records show, is progressing backward and is poorer now than it was. China is now in a state of

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general political anarchy and has been since the breakup of the empire in 1920. The Japanese increased from .03 in 1900 to .05 in 1913, got up to .13 by 1929, and, as I mentioned, up to .19 for the most recent years.

So the great question is: are any other Asiatic countries going to do what Japan has done? Their progress cannot be used as an argument for capitalism or socialism or imperialism, because the Japanese Government is a weird mixture of all three; and each element in the Japanese social structure can be credited or discredited with the results. But Japan built up a considerable war potential in a very short time.

What we are all waiting to see is what will happen in India. I might have said that even more interesting than the United States is the invitation which I received from representatives of the Indian Government to spend a few weeks with them and to discuss some of their questions of economic development. I hope to be there in November. The potentialities of economic development for India are so enormous that they may within twenty or thirty years completely tip the balance of the world economy.

What I have told you so far about these countries is given to you as a background so as to show you that when I try to project the development into the future, I am not just star gazing. There is a certain amount of scientific evidence about possible trends of development. Then there are a lot of extremely intricate calculations which concern the changing balance between the primary and secondary and tertiary production in these countries. You have already had some information put before you on that subject.

In nearly every country, as it advances economically, the rural population declines. It does that first, as a proportion of the total population, and second, in absolute numbers. The American rural population reached the maximum between 1900 and 1910. In every country that is a matter of concern to military men, because countrymen, I am told, are better soldiers than city men. Perhaps I am wrong. It is very hard to see how any government can arrest the decline of the rural population short of doing what a lot of countries have done--relapsing into anarchy. That is what has happened in Germany. Under conditions of real poverty the population does get back to the rural areas.

If you want to get the best in both worlds and get all you can, you should arrange for the decentralization of your urban activities. You should arrange for a wide dispersal of the urban populations where they are highly congested. If you do that, you will be in accord with the way ordinary men like to live. I could almost give you a mathematical formula indicating the expected dispersal of cities in America and other countries which will take place in the future quite

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apart from military dispersal, contemplating only people following their own inclination to build their homes farther and farther out. That, of course, goes exactly against what mayors and city governments and city planners want. They are horrified with the way the congested areas are losing population. They want to try to get it back.

So far as the atomic bomb is concerned--and I am looking at this now as an amateur--whatever atomic bombing an enemy can do will undoubtedly be aimed first at the most congested areas. Whether that is true or not, that is the way it will look to the ordinary man. He will live in greater horror than ever and try to get his house into a less congested area as soon as he can.

If we want to look perhaps a bit further than 1960, at some later year than that, we might find an extremely wide dispersal of populations in all the countries that can afford the transportation cost involved. They may even be an eventual disappearance of some congested areas. Under those circumstances we may get in another form a revival of the rural population.

This brings us on to the other element in our economic potential. In every country in the world the rural population is reproductive and the urban population is not. In nearly all the northern European and American countries, as fast as they become increasingly urban, they become increasingly incapable of reproducing themselves. That brings about a situation of declining rural population.

In Soviet Russia, on the other hand, in the early revolutionary days everything was done to facilitate divorce, abortion, and other things to keep the population down. I don't think most people know this outside of Russia, but since 1936 that policy has been completely reversed. Soviet Russia now pays large endowments to large families. Or, putting it the other way around, the ordinary wage earner gets hardly enough to live on. The wage earner with a large family gets something like enough to live on. Furthermore, divorce, abortion, and contraceptives have been virtually cut out. During the war the Soviet Union did not care very much whether old people died or not. Now that is reversed, and they take care of the old to conserve the young populations. So far as the manpower of the country is concerned, therefore, the Soviet Union is building itself up into a very strong position. We must all face these facts.

Now, if we lump together all the Soviet satellite countries, where, as someone mentioned yesterday, the population may be extremely reluctant to enter another war on the Soviet side, taking the old 1938 Soviet Union boundaries, taking the number of males between the ages of eighteen and twenty-four--I am not taking that as the number of males capable of fighting, but as an indication of the most important military group--that group will number 12.2 million in the Soviet countries in 1955 and 12.9 million by 1960. The USA

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and the whole white population of the British Empire will have only 10.5 million in that group in 1955 and 10.9 million in 1960. If you want to, you can throw in Belgium, the Netherlands, and the Scandinavian countries and it will still bring it up to only 12.2 million by 1955 and 12.5 million by 1960. In other words, in 1955 the Soviet Union in manpower will equal the U. S., the British Empire, the Low Countries, Norway, and Sweden; and by 1960 the Soviet Union will have a lead of half a million on that combined group.

What will, of course, tip the balance for us is that the Latin-European countries will contribute another 7 or 8 million men to that age group and the Latin-American countries will contribute 10 million to that group.

These manpower figures must be well known to the Soviet statisticians, although we ourselves tend to turn our eyes away from these unpleasant facts. I think I am right in saying that, quite apart from other considerations, the restoration of reproductivity, the restoration of large families, in America and the northern European countries is of first-class military importance.

The only northern European countries which reproduce themselves are the Dutch and the Irish. Maybe some of you here who have Dutch or Irish ancestry will be able to throw some light on that. I can't myself.

So far as the Soviet satellites are concerned and the possible exploitation which the Soviet Union will make of its occupied territories, the real production per man-hour in the Soviet Empire, as I shall call it, stood at its highest in eastern Germany, with .38, lower in western Germany, about .33 in Poland and Czechoslovakia; about .23 in the Soviet Union itself; and a great deal lower in the Balkan countries.

Now, what has held up Soviet economic development has been an extremely undeveloped agriculture. You have no idea how much harm it does to read current geographies. You have no idea how much harm has been done in the world by out-dated geography books. The geography books of this day talk about Russia as a land of vast fertile plains just waiting for someone to come in and develop them. That situation became obsolete in the 1880's. Russia is a country with extreme pressure of population upon the soil. The good agricultural land was put into cultivation long ago. There is plenty of land with good soil, but with extremely uncertain climate and very uncertain rainfall. The Russians have cultivated such land and tried to make a living from it, but the result has been recurring droughts and famines. There were famines in 1921 and 1933 and a bad one in 1946. The earlier ones were fairly well known to the world, but the recent ones were almost entirely concealed. Only comparatively few people know about them, for reasons that you are all well aware of.

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The Soviet Union had not only a very low productive standard in industry, but had an extremely low productivity in agriculture. I think the Soviet policy will be now, as they get control of more territory, to industrialize the Soviet Union as much as possible and to draw as much food supply as possible from the much more valuable agricultural lands which they now control, that is, the Baltic States, eastern Germany, and Hungary, not the Balkan countries, which are already extremely overcrowded agriculturally. Their policy will be, both for economic and political reasons, to deindustrialize Germany so far as they can and concentrate industry in Soviet territory.

On that assumption I have made some calculations about the way in which they will probably redistribute their resources in the course of ten years or so if they are given the time and if they are undisturbed in the exploitation of their occupied territories. I make allowance for their need to accumulate capital, because they won't get capital from outside. I assume that the population in the occupied areas will be kept as short of food and made to work as hard as the Soviet population itself; and I assume there is no social commotion and no leakage of facts from the outside to make the Soviet population realize how badly off they are. At present they think they are the best-fed population in the world. Being completely cut off from any communication with the outside world, it is pretty hard to make them disbelieve that. By about 1955, when, as I say, their manpower position will be very good, the Soviet Union will also command an economic potential of about 26 billion of international units, nearly all of which by that time will be available for military purposes. Up to 1955 they will be pretty actively engaged in capital accumulation.

This is, of course, quite a small figure in comparison with what the U.S.A. and other countries in the world have. The U.S.A. at the height of the war was making an effort on more than twice that scale. I am talking now of international units, of real dollars, not wartime dollars. Britain early in the war was making an economic war effort at the rate of 17 billion international units a year and Canada 14 billion.

There is no question of the ability of the U.S.A. and the British Empire to outbuild the Soviet Empire's economic war potential once they seriously set out to do so. The catch is, of course, that Stalin, just like Hitler, is very well aware of how politics work in these other countries. He knows that a democratic country is unlikely in peacetime to tax its population at anything like the rate required for a really large war accumulation.

You can take as a good working rule that no free country, no non-totalitarian country, in peacetime will consent to be taxed to the extent of more than 20 or 25 percent of its national income.

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If we attempt to collect more, we create in the long run an inflationary pressure which wrecks the whole scheme. As those of you who are interested in the financial history of France may know, that has already happened two times within one generation there. Three times altogether there has been a general inflation of the French currency and devaluation of the national debt. That goes on occurring because France, with limited resources, is trying to run a government budget which takes too large a proportion of the national income.

The American budget in 1938 was already approaching the peacetime limit. Now, with the big rise in production and full employment and with the military expenditures much less, your budget is safely below that limit. That is a thing to be very happy about. The British budget is not. The British are trying to run a large military effort on a comparatively low productivity, trying to collect 30 percent of their national income in taxation. They won't be able to do that.

I might mention that the amount spent on defense in the 20's and 30's in the U.S.A. was about two percent of the national income. Britain made it about three percent. Japan at one stage had four percent. That was after the Washington Treaty, when Japan was quiescent for some years. The Scandinavian countries and the British Dominions made it one percent. In the case of Norway the consequences were very serious. They might well have been serious in England and in the British Dominions too.

Once again I don't want to be misunderstood in any way; but the more we spend of the national income on national debt interest, the less we can spend on defense. There is no doubt that, if we want to run a free democratic economy, we cannot in peacetime collect taxes of more than 20 or 25 percent of the national income. So anything we can do to cut down the national debt interest on the one hand, and social services on the other, the more will be released for defense purposes.

Now, just in conclusion I will mention the rates of growth which are expected for a number of countries between now and 1960. I will speak of the real production per man-hour, or perhaps better, the aggregate production that is expected, including both the population factor and the production per man-hour factor.

For the U.S.A. I have projected it as 136 billion units. I might revise that figure and put it a little higher now, because the rate of growth of productivity has been higher than was expected. For Canada I have made it 11 billion, for Argentina and Uruguay 15 billion, and for the rest of America 42 billion; for Britain 23, France 18, Spain 12, Germany 42, including Austria, and for Italy 19. There will probably be fairly rapid economic progress in Italy and for Poland 14. I won't mention the Soviet Empire, because I have already quoted those figures in another connection. Outside Europe, it will

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be Japan 32, India 67. That is a very big increase, in India, on the present figure. China will increase to 40 billion.

This, gentlemen, is a subject on which we could continue all day; but I would rather leave some time for questions.

MR. MASSELMAN: Mr. Clark would you like to comment or draw any conclusions from the experience after World War I as to the rate of recovery that could possibly be expected in the defeated countries--such as Japan, Germany, and Italy, that is, the delay that may have been caused by the war in their normal economic development.

MR. CLARK: Generally speaking, I think the answer is "Not much." In Japan at a time like the present everybody's mind is focussed on the political difficulties and confusions. But the underlying economic forces of recovery are working, and within a few years we will get an upward movement. You can, of course, prevent that if you get complete political anarchy, or, alternatively, if you get inflation.

Germany after World War I, mainly through her own fault, blundered into an inflation, which culminated in November 1923. Germany was in a mess in the years from 1918 to 1923. Once the inflation was extinguished, Germany's recovery was fairly rapid. Other devastated countries after the 1913 war also made a rapid recovery. I think the indications are that in Japan and Italy really rapid economic progress will be made within a very few years.

What is going to happen in Germany is harder to say, because there is undoubtedly political confusion there. What the next move is going to be I can't possibly predict. But I can say that unless either the Germans or we do something which plunges the country into anarchy or inflation, we can predict a fairly rapid economic development.

GENERAL MCKINLEY: Mr. Clark, you stated that our population trend in this country is toward moving to the rural areas. Am I to assume that they will then blend into the rural population and be considered as having rural occupations, or is it to be a decentralization of their industrial occupations? Do you point that out because of the possibility of a change in their reproductive capacity?

MR. CLARK: Yes. The latter. There is no doubt that the center of a city is the worst place for them to reproduce themselves.

COLONEL GODARD: Following up your comparison on the age group from eighteen to twenty-four, do you have any figures on the size of the age group which the Russians may have if they should use from eighteen to sixty or eighteen to fifty?

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MR. CLARK: I have no such figures here. They are available in the League of Nations' publication giving projections of Europe's Soviet population up to the year 1970. Russia would be a little less favorable, I think; but we will be about the same.

GENERAL MCKINLEY: Pursuing that same line of questioning, is there any difference on account of the level of their economy in the numbers that they could free for military purposes and still maintain the necessary production to support the military effort?

MR. CLARK: Let me put it this way: They will have by 1955 resources at the rate of about 26 billion international units. For each man that they need as military manpower they would, as it were, take away about 500 of these international units per year from their production. In other words, each man taken out of Russian industry will reduce the production by 500 international units.

As to how they will balance their program between manpower and industrial resources is hard to say. But, so far as we are concerned, each man taken out of industry is much less of a loss in Russia than a man taken out of industry in America, because the Russian productivity is less.

MR. MASSEMAN: In connection with that productivity per man-hour the Soviet Union is now making a concerted effort to increase that productivity by all manner of means. To what extent do you feel that they can be successful in that program?

MR. CLARK: Well, judging by their past record, they have a remarkable capacity for making mistakes. I would like to repeat to you a remark that was made to me by a present member of the British Cabinet. It would not be fair to say who it was, but he was quite a firm believer in planned economy. He made his first trip to Russia, and on his return said, "They are the greatest muddlers on earth. I think it is too bad for the sake of planned economy that Russia was the first country to carry it out."

Regarding real national production, the Soviet Union stood at 18 billion international units in 1915. By 1921 for various reasons it was down one half--to nine billion. It took them until 1928 to get back to where they had been in 1915.

Then they started the first Five-Year Plan, the most ballyhooed piece of publicity in the world. They talk about Americans being fond of publicity. The first Five-Year Plan caused a terrific reaction in agricultural production. Most of the industrial plans were wrong and none of them was fulfilled. They ended up in 1933 with an aggregate output of only 16 billion as against 18 in 1928.

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Then Stalin made one of his speeches, which he said he was addressing particularly to the peasants, in which he said, "I will not drive the workers of the country any farther. The peasants will be allowed to keep the live stock that they have on hand without having it collectivized." The year after 1933 they got some recovery in agriculture and some increase in efficiency in industry. By 1940, so far as I can recall, they got their output up to about 28 billion international units. That, of course, is the entire output, most of which they required to live on.

Taking manufacture only and the real production in international units per man-hour, which stood at about .12 in 1913, they recovered that figure by 1925. But they still hadn't really done that. They still did not have a very large manufacturing population. The production was .18 in 1929, then it went down to .12 by 1933, and by 1936 it went up to .22.

I can't give you any satisfactory figures later than 1936, but you can see from the figures I have given you that Soviet progress is very much a matter of fits and starts. The Russians have gotten into fearful confusion in the past, but perhaps it is not wise to count on their repeating their mistakes. I think we had better allow for rather better organization in the future years. If that is so, their war potential will be rather bigger than the 26 billion which I mentioned previously. But history shows that they can make a lot of mistakes.

QUESTION: How reliable is the information that we receive from Russia now?

MR. CLARK: In 1969 I wrote a short book on that subject entitled "Critique of Russian Statistics." It is rare for a Soviet publication to contain an actual falsehood; not that they have any scruples about it, but if they publish an actual falsehood, they have to falsify a lot of other figures to cover it up, and that is going to be difficult.

The way the Soviet proceeds is by omission. The real way to get information from them, therefore, is to be looking all the time for what they refrain from publishing. Anything they actually publish is probably true so far as it goes. They are extremely subtle people, extremely cunning, and very keen, with a somewhat tragic sense of humor. We are an extraneous source of humor to them. They enjoy pulling our leg.

QUESTION: Your speaking of the Russian Empire makes me wonder what you mean by that and how much influence the satellites will have on the war potential of Russia. In other words, how much influence will Russia have over the Balkan countries? Should these countries be considered separately or as a part of Russia?

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MR. CLARK: I have published something about possible trends in the Balkan countries. In my lecture this morning I assumed that they would make no manpower contribution, in other words, that they would not be quite Soviet enough to enter the Soviet army. On the other hand, I assumed that they would make full economic contribution, as the Polish and Czechoslovakiens had to do under German occupation. Where the occupation is based on a system of ration cards and where political opposition or a refusal to work hard may mean the loss of your ration card and subsequent starvation, I think we are bound to assume that the Russians can make the inhabitants of these countries work hard.

DR. HUNTER: Would you amplify your comment about the future of India?

MR. CLARK: India has already made a very promising beginning in a number of industries. Although by our standards they are not so productive, they are productive enough so that they can offer India's peasants a real income, about four times what they are getting now. Assuming once again that political anarchy does not creep in, there will be a very rapid rate of growth in manufacturing industries.

Furthermore, India has now reached the stage where she can to some extent accumulate capital. It may be slow and painful, but she can make capital accumulations of her own, even if she gets no investments from abroad or if things are left to themselves. I think within a few years a large number of American and British business firms will be anxious to establish branches in India. In that way I think there will be a big flow of outside capital to India.

The first industry will undoubtedly be textiles, because the capital investments required are not nearly so great as in other industries, the metallurgical industries, for instance. Also comparatively unskilled labor can be used.

I really can't understand why the British don't take this opportunity of eliminating their textile industry. It has been for many years a liability rather than an asset. Manchester, for instance, has become mainly engineering rather than cotton. The textile industry is where the Asiatic countries will make their first bid. Their textiles will soon come on the export markets. There is a big export market for textiles in Africa and South America.

India will gradually go up the scale into other industries until finally its people get into those requiring very highly skilled labor or very large masses of capital. India has already started a steel mill, which is making the cheapest steel in the world, and has started in the chemical business.

MR. FASSELLER: I want to thank you on behalf of the College for coming down here. We enjoyed your lecture very much.