35 TH ANNUAL NATIONAL AGRICULTURAL OUTLOOK CONFERENCE

November 18-21, 1957
Washington 25, D.C.

Program

UNITED STATES DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service • Agricultural Research Service
Commodity Stabilization Service • Foreign Agricultural Service
Forest Service • Federal Extension Service Cooperating

235690

MONDAY (November 18) MORNING

(Thomas Jefferson Auditorium - South Building)

C. M. Ferguson, Administrator
Federal Extension Service, Chairman

9:00 Registration

prepared
9:45 Opening of Conference — C. M. Ferguson
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10:00 World Situation as it Affects the Outlook for Agriculture — John W. Evans, Deputy Director, Office of Intelligence Research, Department of State

11:00 Intermission

11:15 Panel Discussion - Raymond A. Ioanes, Deputy Administrator
Foreign Agricultural Service, Moderator

o prepared
tatements

John W. Evans, Deputy Director
Office of Intelligence Research
Department of State

Lamar Fleming, Jr.
Chairman of Board
Anderson, Clayton, and Company

Leslie Crawford
Foreign Agricultural Attache
Great Britain

Loring Macy, Director
Bureau of Foreign Commerce
Department of Commerce

Gwynn Garnett, Administrator
Foreign Agricultural Service

12:30 - 2:00 Lunch time

AEP - 214 (11-57)

MONDAY (November 18) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

James P. Cavin, Chief
Statistical and Historical Research Branch
Agricultural Marketing Service, Chairman

2:00	National Economic Situation and Outlook for 1958	Nathan M. Koffsky, Chief Farm Income Branch Agricultural Marketing Service
2:30	Panel Discussion - James P. Cavin, Moderator	

prepared statements

Nathan M. Koffsky
Agricultural Marketing Service

James W. Knowles
Joint Economic Committee

V. Lewis Bassie, Director
Bureau of Economics and
Business Research
University of Illinois

Louis J. Paradiso, Assistant
Director-Chief Statistician
Office of Business Economics
Department of Commerce

Gerhard Colm, Chief Economist
National Planning Association

4:00 Adjournment

TUESDAY (November 19) MORNING

(Thomas Jefferson Auditorium - South Building)

Bushrod W. Allin, Chairman of Outlook and Situation Board
Agricultural Marketing Service, Chairman

9:15	Agricultural Outlook for 1958	Fred V. Waugh, Director Agricultural Economics Division Agricultural Marketing Service
10:00	Intermission	
10:15	Panel Discussion - Bushrod W. Allin, Moderator	

s prepared statements

Fred V. Waugh

Kenneth L. Bachman, Head
Production Income and Costs Section
Agricultural Research Service

Faith Clark, Chief, Household Economics Research Division
Agricultural Research Service

Raymond A. Ioanes
Deputy Administrator
Foreign Agricultural Service

William H. Scofield, In Charge
Land Values Unit
Agricultural Research Service

Norman J. Wall, Head
Agricultural Finance Section
Agricultural Research Service

12:00 - 1:30 Lunch time

TUESDAY (November 19) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

"Effects of Marketing Changes on the Outlook"

Harry C. Trelogan, Director of Marketing Research Division, Agricultural Marketing Service, Chairman

1:30	Developments in Human Nutrition	Ruth M. Leverton, Asst. Director Human Nutrition Research Division Agricultural Research Service
2:00	Marketing Costs	D. Barton De Loach, Chief Market Organization and Costs Branch Agricultural Marketing Service
2:30	Domestic Market Development	Robert M. Walsh, Chief Market Development Branch Agricultural Marketing Service
3:00	Foreign Market Development	Raymond A. Ioanes Deputy Administrator Foreign Agricultural Service
3:30	Intermission	
3:45	Panel Discussion - Harry C. Trelogan, Moderator	

prepared statement to except Knapp's.

Ruth M. Leverton	Faith Clark
D. Barton De Loach	Walter W. Wilcox Legislative Reference Service Library of Congress
Robert M. Walsh	
Raymond A. Ioanes	Joseph G. Knapp, Administrator Farmer Cooperative Service

5:00 Adjournment

Wednesday, November 20, 1957

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 10:45	Grass and Legume Seeds - Room 1345 South Building Paul O. Mohn, FES, Chairman Outlook Statement: Thomas J. Kuzelka, AMS W. H. Youngman, FAS	
	Fruits and Tree Nuts - Room 218 Adm. Bldg. Lloyd H. Davis, FES, Chairman Ben H. Pubols, AMS, Outlook Statement	
	Cotton - Jefferson Auditorium E. P. Callahan, FES, Chairman Frank Lowenstein, AMS, Outlook Statement	
11:00 - 12:30	Fats and Oils - Jefferson Auditorium Karl G. Shoemaker, FES, Chairman George W. Kromer, AMS, Outlook Statement	
	Vegetables and Potatoes - Room 218 Adm. Bldg. R. L. Childress, FES, Chairman Will M. Simmons, AMS, Outlook Statement	
Rec'd Demand + price situation - for forest products Outlook included)	Forest Products - Room 3106, South Building M. M. Bryan, FS, Chairman David B. King, FS, Outlook Statement	
12:30 - 2:00	Lunch time	
2:00 - 3:30	Wheat - Room 218 Adm. Bldg. T. E. Hall, FES, Chairman Robert E. Post, AMS, Outlook Statement	
	Tobacco - Room 1345 South Building S. E. Wrather, AMS, Chairman Arthur G. Conover, AMS, Outlook Statement	
No statement	Sugar - Room 4966 South Building Lawrence Myers, CSS, Chairman	
3:45 - 5:00	Peanuts - Room 218 Adm. Bldg. Karl G. Shoemaker, FES, Chairman George W. Kromer, AMS, Outlook Statement	
	Rice - Room 1345 South Building T. E. Hall, FES, Chairman Robert E. Post, AMS, Outlook Statement	
5:00	Adjournment	
5:45	State Specialists' Dinner - 4th Wing Cafeteria South Building	

Thursday, November 21, 1957

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 12:00	Feed, Livestock and Meat - Jefferson Auditorium Richard G. Ford, FES, Chairman Outlook Statement: Harold F. Breimyer, AMS Malcolm Clough, AMS
12:00 - 1:30	Lunch time
1:30 - 3:00	Poultry - Jefferson Auditorium Homer S. Porteus, FES, Chairman Edward Karpoff, AMS, Outlook Statement
3:15 - 5:00	Dairy - Jefferson Auditorium Max K. Hinds, FES, Chairman Herbert C. Kriesel, AMS, Outlook Statement
5:00	Adjournment

Wednesday, November 20, 1957

Family Living Sessions

9:15	Outlook for Consumer Goods Starley M. Hunter, FES, Chairman	Freer Art Gallery Auditorium
	✓ Food	Harry Sherr Agricultural Economics Div., AMS
	✓ Clothing Harry Kahan	~~Arnold Chase~~ Bureau of Labor Statistics Department of Labor
	✓ Housing and Durable Goods Arnold S. Chase	~~Harry Kahan~~ Bureau of Labor Statistics Department of Labor
	✓ Home Furnishing	Starley M. Hunter Div. of Home Economics Programs, FES
12:30 -	2:00 Lunch time	
	"Family Living Trends - Changes in Family Characteristics" Faith Clark, ARS, Chairman	
2:00	✓ Changes in Population and Family Characteristics	Gladys K. Bowles Farm Population & Rural Life Branch, AMS
2:25	✓ Overall Situation	Margaret L. Brew Household Management Section, ARS
2:50	✓ Dwelling Upkeep, Household Operations, Furnishings & Equipment	Jean L. Pennock Household Economics Div., ARS
3:15	Intermission	
3:30	✓ Transportation, Recreation and Education	Emma G. Holmes Household Economics Div., ARS
3:55	✓ Clothing, Personal Care	Roxanne R. O'Leary Household Economics Research Div., ARS
4:15	Adjournment	

Thursday, November 21, 1957

Family Living Sessions   Room 218 Adm. Bldg.

"Family Living Trends - Changes in Family Characteristics" (Cont'd)
Margaret L. Brew, ARS, Chairman

9:15	✓ Food	Mollie Orshanksy Household Economics Research Div., ARS
9:45	✓ Medical Care	Jean L. Pennock Household Economics Div., ARS
10:05	o Outlook for Family Living	Margaret L. Brew Household Management Section, ARS
10:15	Intermission	

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10:30 o Panel - Implications of Changes in Family Living for the Extension Program

Paul J. Jehlik SESD, ARS
Helen Johnston, HEW
Constance Burgess, Ext. Serv., Cal.
Lucille Ketchum, Ext. Serv., Mich.
Eloise Cofer IHE, ARS
Starley Hunter, FES
John Ellickson FERD, ARS

12:30 - 2:00 Lunch time

2:00 Commodity Outlook
Frances Scudder, FES, Chairman

✓ Dairy	Herbert C. Kreisel, AMS
o Meat Animals	Harold Breimyer, AMS

prepared to cent

o Methods of Presenting Outlook - Starley M. Hunter, FES   minimizing risk in the use of family resources

4:30 Adjournment

STATE DELEGATES REGISTERED FOR 35th OUTLOOK CONFERENCE
November 18-21, 1957

ALABAMA
Foy Helms, Elizabeth Bryan

ALASKA
None

ARIZONA
George W. Campbell

ARKANSAS
T. E. Atkinson, Crystol Tenborg

CALIFORNIA
Constance Burgess, G. A. Carpenter

COLORADO
Avery Bice

CONNECTICUT
G. A. Ecker, Florence S. Walker

DELAWARE
Patricia Middleton, W. T. McAllister, William E. McDaniel

FLORIDA
C. C. Moxley, Susan Christian

GEORGIA
J. J. Lancaster, Doris Oglesby

HAWAII
Stephen Doue

IDAHO
R. Wayne Robinson

ILLINOIS
Catherine M. Sullivan, L. H. Simerl

INDIANA
Carroll Bottum, Ronald Bauman, Elkin Mintner

IOWA
Francis Kutish, Helen Tucker

KANSAS
M. E. Jackson, Roger Wilkowske

KENTUCKY
Frances M. Stallard, Buel Lanpher, Stephen Allen

LOUISIANA
W. D. Curtis, Rupert Perry

MAINE
Lewis Clark, Pauline Lush

MARYLAND
G. M. Beal, A. B. Hamilton, H. H. Hoecker, J. W. Magruder, A. R. Meyer, Joanne Reitz, G. A. Stevens

MASSACHUSETTS
Barbara Higgins, E. W. Hanczaryk, G. W. Westcott, A. H. Lindsey

MICHIGAN
Lucille Ketchum, J. N. Ferris

MINNESOTA
L. J. Pickrel

MISSISSIPPI
None

MISSOURI
C. E. Klingner, Elmer Kiehl, Tom Bro

MONTANA
John Bower, Mae True

NEBRASKA
Everett Peterson, Clara Leopold

NEVADA
Margaret Dial, G. A. Myles

NEW HAMPSHIRE
Ann Beggs, Lawrence Dougherty

NEW JERSEY
Doris Anderson, F. V. Beck, Hildreth Flitcraft

NEW MEXICO
J. O. Kling or Clyde R. Keaton

STATE DELEGATES REGISTERED FOR 35th OUTLOOK CONFERENCE (continued)
November 18-21, 1957

NEW YORK
Ruth Deacon, Elizabeth Wiegant,
George Conneman, L. C. Cunningham,
B. A. Dominick, Robert Smith,
Mary Wood, Betty Woods

NORTH CAROLINA
Glenn Tussey, Charles Pugh,
Mamie Whisnant

NORTH DAKOTA
H. G. Anderson, Irene Crouch

OHIO
Riley Dougan, Robert Schwart,
Mabel Spray, D. M. Long,
Anita McCormick

OKLAHOMA
H. E. Ward, Evelyn P. Nantz

OREGON
Oscar Hagg

PENNSYLVANIA
Sanna Black, W. M. Carroll, W. F. Johnstone
B. W. Kelly, Fred Hughes, M. J. Armes,
A. K. Birth, A. O. Voigt, C. W. Porter

PUERTO RICO
Roberto Lefebre-Munoz,
Carmen T. Pesquero-Busquets

RHODE ISLAND
W. H. Wallace, Evelyn Lyman

SOUTH CAROLINA
P. S. Williamon, Ruby M. Craven,
M. C. Rochester

SOUTH DAKOTA
L. M. Bender, Isabel McGibney

TENNESSEE
Eugene Gambill, Virginia Boswell,
Irving Dubov, Myra Bishop or
Phyllis Ilett

TEXAS
J. H. McHaney, Eula J. Newman

UTAH
Leon Michaelsen

VERMONT
Verle Houghaboom

VIRGINIA
Helen D. Alverson, Amelia Fuller,
J. B. Bell, Shirley Carter,
D. U. Livermore, K. E. Loope,
W. J. Nuckolls, Jr., J. H. Simpson,
H. W. Walker

WASHINGTON
Karl Hobson

WEST VIRGINIA
Gladys W. Knapp, K. P. Brundage

WISCONSIN
Louise Young, Leon Garoian

WYOMING
A. W. Willis, Mary McAuley

UNITED STATES DEPARTMENT OF AGRICULTURE 11/19/57
Federal Extension Service
Washington 25, D. C.

STATE DELEGATES REGISTERED FOR THE 35th ANNUAL AGRICULTURAL OUTLOOK CONFERENCE

ALABAMA	Hotel
Foy Helms	Harrington
Elizabeth Bryan	Harrington
ARIZONA	
George W. Campbell	Harrington
ALASKA	
Allan Mick	Willard
ARKANSAS	
T. E. Atkinson	Harrington
Crystol C. Tenborg	Raleigh
CALIFORNIA	
Constance Burgess	Willard
COLORADO	
Avery Bice	Raleigh
CONNECTICUT	
George A. Ecker	Harrington
Florence S. Walker	Burlington
DELAWARE	
Patricia Middleton	Washington
Willard T. McAllister	Harrington
William E. McDaniel	Harrington
FLORIDA	
C. C. Moxley	Willard
Bonnie Carter	Harrington
GEORGIA	
J. J. Lancaster	Harrington
Doris Oglesby	Willard

HAWAII	Hotel
Stephen Doue	Harrington
IDAHO	
R. Wayne Robinson	Harrington
ILLINOIS	
Catherine M. Sullivan	Willard
L. H. Simerl	
INDIANA	
Carroll Bottum	Harrington
Ronald Bauman	Harrington
Elkin Mintner	Harrington
IOWA	
Francis Kutish	Harrington
Helen Tucker	Harrington
KANSAS	
M. E. Jackson	Harrington
Roger Wilkowske	Harrington
Ethel Self	Harrington
Milton J. Manuel	
KENTUCKY	
Frances M. Stallard	Harrington
Buel F. Lanpher	Harrington
Stephen Allen	Harrington
LOUISIANA	
W. D. Curtis	Raleigh
Rupert Perry	Harrington
MAINE	
Lewis E. Clark	Harrington
Pauline E. Lush	Washington

MARYLAND	Hotel
John W. Magruder	
Joanne W. Reitz, 1915 Fox St., Hyattsville, Md.	
A. B. Hamilton, University of Maryland	
G. A. Stevens	
Vivian L. Curmutt	
George Beal	
Harold Hoecker	
Paul Nystrom	

MASSACHUSETTS	
E. W. Hanczaryk	Washington
Barbara Higgins	Washington
G. W. Westcott	Burlington
R. Bieber	Burlington

MICHIGAN	
Marie Ferree	Washington
Lucille Ketchum	Willard
John N. Ferris	Willard
Arthur Mauch	Harrington

MINNESOTA	
Luther Pickrel	Cosmos Club
Elizabeth Roniger	Raleigh

MISSOURI	
C. E. Klingner	Harrington
Elmer Kiehl	Harrington
Tom Brown	Harrington

MONTANA	
John Bower	Harrington
Maurice C. Taylor	Harrington

NEBRASKA	
Everett Peterson	Raleigh
Clara N. Leopold	Raleigh

NEVADA	
Margaret Dial	Raleigh
George A. Myles	Raleigh

NEW HAMPSHIRE	
Ann Beggs	
Lawrence Dougherty	

NEW JERSEY	Hotel
Doris Anderson	Willard
John Carncross	Willard
Frank Beck	Harrington
Hildreth Flitcraft	Willard

NEW MEXICO	
Clyde R. Keaton	

NEW YORK	
C. A. Bratton	Harrington
R. P. Story	Raleigh
Elizabeth Wiegand	Raleigh
Mary Wood	Raleigh
Ruth Deacon	Raleigh
B. A. Dominick	Harrington

NORTH CAROLINA	
Mamie Whisnant	Harrington
Glenn Tussey	Harrington
Charles Pugh	Harrington

NORTH DAKOTA	
H. G. Anderson	Harrington
Irene Crouch	Harrington

OHIO	
Mabel Spray	Willard
Riley Dougan	Raleigh
Robert Schwart	Raleigh
Don Long	Willard
Anita McCormick	Willard

OKLAHOMA	
H. E. Ward	Harrington
Evelyn P. Nantz	Harrington

OREGON	
Oscar Hagg	

PENNSYLVANIA	
Alida Hotchkiss	Raleigh
William Johnstone	Raleigh
Helen Bell	Washington
Wayne Kelly	Raleigh
William Carroll	Raleigh

PUERTO RICO	Hotel
R. Lefebre-Munoz	Harrington
C. T. Pesquero-Busquets	Harrington

RHODE ISLAND	
Evelyn Lyman	
W. H. Wallace	

SOUTH CAROLINA	
Ruby M. Craven	Harrington
P. S. Williamon	Harrington

SOUTH DAKOTA	
Lyle Bender	Harrington
Isabel McGibney	Raleigh

TENNESSEE	
Virginia Boswell	Harrington
Eugene Gambill	Washington
Phyllis Ilett	Washington

TEXAS	
John McHaney	Raleigh
Eula J. Newman	

UTAH	
Leon Michaelsen	

VERMONT	
Verle Houghaboom	

VIRGINIA	
Amelia Fuller	Washington
Helen Alverson	Washington
K. E. Loope	Harrington
W. J. Nuckolls, Jr.	Harrington
J. H. Simpson	Harrington
Shirley Carter	Harrington
J. B. Bell	Harrington
H. W. Walker	Harrington

WASHINGTON	
Karl Hobson	Harrington
A. H. Harrington (Hoobler's)	

WEST VIRGINIA	Hotel
K. P. Brundage	Harrington
Gladys Knapp	Harrington

WISCONSIN	
Louise Young	Willard
Leon Garoian	Harrington

WYOMING	
A. W. Willis	
Mary McAuley	Raleigh

THE WORLD ECONOMIC SITUATION IN 1957

Speech by John Evans

Outlook Conference, Dept. of Agriculture

November 18, 1957.

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THE WORLD ECONOMIC SITUATION

IN 1957

I am afraid I am going to be a great disappointment to those of my listeners who have failed to realize that I am neither an expert in matters agricultural nor a prophet. In order to concentrate as much as possible of your disappointment into the beginning of my talk let me make clear that I am not going to attempt to predict the course of future events either for the world as a whole or for individual countries. Even if I were able, it would be inappropriate for an officer of the State Department to do so. In saying this I am not suggesting that you run toward the nearest exit. Some of those who follow me will be in a position -- if not to predict -- at least to project. And if I have been able to fill in some background that will enable you to place their projections in perspective you may even find the next hour worth sitting through.

An hour isn't long for a tour around the world. Unless something has happened since I left my office this morning, the sputnik record for the course is still over two hours. So I'll only be able to touch at a few of the spots that seem to me worth a quick look. I propose to glance at the recent economic situation, in 1956 and as far into 1957 as my data -- all public -- will enable me to penetrate. Then, if there is time, I will try to identify some of the longer run forces which will at least play a part in shaping the course of world trade -- including trade in agricultural products -- in the future.

To save time let me dispose at once of my disclaimers and credits. I am not speaking for the Department of State! None of my facts and few of my interpretations will be original.

I will plagarize heavily from publications of such organizations as the UN (particularly its World Economic Survey), GATT, OEEC, ECE, the IMF and FAO. I will not take time to identify my sources as I speak.

The first stop on our world tour -- and in many respects the most important stop -- is Western Europe. Europe has been

enjoying a boom.

enjoying a boom. The rates of industrial growth in 1956 were almost unprecedented. The resilience of European economies that was demonstrated during the United States recession in 1954 was demonstrated again in the way Europe rode out the Suez crisis and scarcely paused in its prodigious economic growth. Thus, by the end of 1956, Western Europe had given the lie to early post-war prophets of gloom. It had not only retained but strengthened its lead over all other areas of the world as the closest competitor of North America in standard of living and industrial production. But 1957 has brought troubles that may be worse than Suez. Speaking very generally the price of this rapid growth has been the emergence of serious inflationary pressures and a near-flood of imports. An overall current deficit with the dollar area has reappeared -- though few are prepared to revive the old wives' tale about the existence of a structural dollar gap.

Through 1956 Europe continued to throw overboard post-war restrictions on trade and on international payments. But 1957 has seen one serious setback for commercial policy -- that is, in France. And that brings me to the obvious point that the differences between European countries, at least in respect of short term indicators of economic health, are almost as great as their similarities.

Let me try to draw some distinctions among them based on recent trends. It is not easy to cover in a few minutes the differences among the countries of Western Europe because of the multitude of comparisons that might be made. In an effort to bring some arbitrary order into chaos I have chosen three principal criteria around which to attempt some classification of the varying economies with which we are about to deal. In doing so I am certain to be guilty of over-simplification and I hope that some of the participants here will be sufficiently outraged to be moved to set the record straight before this conference is concluded. My criteria will be: the position of the countries' reserves, the current rate of economic growth, and the current trend in their foreign balances.

While I am not going to try to make any predictions on the basis of the following analysis, I am going to try to develop a few patterns -- and exceptions to them -- that should help in an understanding of what is going on in European economies.

One is the relationship

One is the relationship between the size of each country's foreign exchange reserves and the economic policies it is pursuing. Here the facts suggest that certain countries have been forced to retard their economic growth in order to protect those reserves. Another pattern that will develop is shown by the relationship between the rate of economic growth and the current balance of payments. The point to watch here is the extent to which in some countries recent growth has been achieved out of the internal resources of the economy and the extent to which in others it has been accompanied by a heavy import balance and a consequent draft on reserves. When these two comparisons are cast against a background of increasing inflationary pressures they form the basis for some conclusions -- which you will have to reach for yourselves -- as to the choices that the different countries of Europe are likely to make between continued rapid growth and international solvency.

Looking first at the cumulative position as represented by the size of the countries' reserves at the middle of 1957, a convenient basis for comparison is the size of gold and foreign exchange reserves of central banks and treasuries in terms of the number of months of imports they would cover. On this basis we can arbitrarily divide Western Europe into two groups. The first group ranks from Switzerland with 12 1/2 months reserves, through Germany, Austria and Italy, to Belgium with 4 months. At the top of the second group is the Netherlands with 3.3 months, followed by the UK, Sweden, and Norway. France and Denmark take the bottom position in this group with only 1.6 and 1.3 months respectively. While this ranking does not tell us much about the present direction of economic change in the countries concerned, it is vitally important because of its influence on the policies of each country. Clearly Germany and Italy are in a position to run economic risks that would be out of the question for France and Denmark.

My second classification is based on recent economic growth. The relatively unfavorable position of some countries as measured against this criterion is likely to be misleading if we overlook the fact that all of the countries with whom we are dealing have enjoyed substantial economic growth in recent years. But I want to focus our attention on the changes that took place in the year that ended

in the middle of 1957.

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in the middle of 1957. On this basis we can distinguish four countries which have continued to boom. These are Austria, France, Italy, and Germany. The second group, consists of countries that have grown more slowly or have made no progress. Significantly, they are also those in which unemployment increased in the second quarter of 1957 as compared with a year earlier. Omitting Switzerland, for which I do not have the necessary data, these are: Norway, Sweden, Denmark, the UK, and the Netherlands.

My third grouping is based on the recent trend of foreign balances. For this purpose I have more or less arbitrarily selected the changes in the balances of each country in the European Payments Union in the first half of 1957. I believe this comparison will provide at least a rough indicator of their relative international competitive positions. In this recent period Germany and Austria increased their EPU gains, and France and Denmark fell further behind in the race for reserves. Germany's gains were incomparably greater than those of Austria, however, and the losses of France were far greater than the losses of all other deficit countries combined. Of the remaining countries Italy, Belgium, and the Netherlands lost ground in the EPU, while the UK, Sweden, and Norway made modest gains. (This comparison, of course, does not take into account some very important speculative movements in the second half of 1957. I'll have more to say about them later).

If these three groupings are combined, the following picture begins to emerge:

1 - For two countries, all the indicators of recent performance are favorable. They have large reserves, a present favorable EPU balance, and are enjoying rapid economic growth. These are Germany and Austria.

2 - At the other extreme is one country with dangerously low reserves, a present unfavorable balance and a relatively low level of economic activity and increased unemployment. That is Denmark.

3 - Then we can pick out two countries which contrast a very high level of current activity and growth with unfavorable current EPU balances. But

these two countries are not by any means in similar positions. The first of them, Italy, is running a relatively small EPU deficit and has very substantial reserves. Also, its gold and dollar reserves -- as contrasted with its EPU balance -- showed a modest increase. The other is France, which in one year incurred a deficit of over half a billion dollars in the EPU and which has gold and dollar reserves so low that any further loss would be serious.

4 - The remaining countries have all had a low rate of growth during the past year. But there the resemblance ends. For the two Benelux countries registered a negative EPU balance against fairly comfortable reserves, while the UK, Sweden, and Norway, with low reserves, registered some improvement.

For the countries in the last group I have mentioned, namely the UK, Sweden, and Norway, there appears to be a direct relationship between the low rate of economic activity in the past year and the improvement in their European balances during the first half of 1957. In all three it would appear that the favorable balance resulted from a reduction of imports, induced at least in part by the low rate of business and industrial activity, rather than from an increase in exports. On the other hand, the business and industrial boom enjoyed in France, and the high rate of investment in that country, at least partially account for the heavy import balance and the dramatic drains on France's reserves, intensified by the demands arising from the military action in Algeria.

This analysis cannot be carried beyond a certain point, however. For Germany is the outstanding case of a country having a high level of activity and a heavy rate of investment but which nevertheless has been able to continue to earn prodigious balances in its foreign transactions, while the stagnation of Denmark has not enabled that country to bring its current accounts into balance.

To round out this over-simplified picture of economic trends in Western Europe -- a word about inflation. Up to the end of 1955 Europe had succeeded in maintaining surprisingly

stable prices

stable prices in the light of its rapid economic growth. The greatest increase in the cost of living index was that of Austria, with a rise of 48% over 1950 -- the lowest Switzerland, with only 8%. France, in spite of its rapid growth, had a 30% rise. But 1956 saw increasing pressure. The French cost of living index advanced 8% in the year and that of Germany even more -- 9%. In 1957, as we will see, the trend was accelerated, particularly in France.

A subject on which an endless amount of interesting speculation would be possible would be the relationship between the economic positions of the countries in Western Europe and their commercial policy.

The last two years have seen an encouraging trend toward more liberal trade policies in Europe -- in spite of the recent reversal in that trend in the case of France. Both in 1956 and in 1957 the Western European countries in general moved nearer to the goal of multilateral trade. Liberalization within the OEEC was carried further, with all but Denmark, France, and Norway having achieved the OEEC goal of 90% liberalization. In percentage terms removal of restrictions on imports from the dollar area proceeded even faster than the freeing of intra-European trade. However, a "hard core" of protective quantitive restrictions in both fields remains, including restrictions on agricultural products.

Most Western European countries also made progress in dismantling their bilateral payments agreements and, except in their dealings with the countries of the Sino-Soviet Bloc, had made the plunge into multilateral balancing of trade. Following the broadened transferability of sterling and the Deutschemark that had been established earlier, the period saw the inauguration of increased transferability for the Belgian franc, the Italian lira, the Netherlands' guilder, and the Swedish krona.

In spite of all this progress there remains a major exception to the adoption by Europe of liberal and competitive trading -- or rather two exceptions which are aspects of the same problem. Nearly every European country still conducts part of its trade through state trading entities -- the percentages in six countries running above 20% of total trade. Trade conducted in this way is omitted from the calculations of trade liberalization in OEEC

or with the dollar area.

or with the dollar area. Much the largest concentration of state trading is in the field of agricultural products. Thus, state trading is largely an aspect of another problem, the persistence of protectionism for domestic agriculture and the use of a diversity of ingenious devices -- of which state trading is only one -- to maintain and even increase often uneconomic farm production.

That stubborn fact almost inevitably suggests the need for some discussion of the European Common Market and the proposed Free Trade Area. I am afraid we simply haven't enough time. But let me touch on one aspect of a very complicated subject.

Those of you who have not followed these developments closely may have wondered whether, and if so how, the United States may be tied into these institutions. The United States will not, of course, be a party to the Common Market Treaty which will come into effect next January among the same six European countries which are members of the European Coal and Steel Community. The larger grouping of European countries under a Free Trade Area is, of course, only a prospect at the moment, and efforts to work out its provisions are proceeding actively in the OEEC, of which the United States and Canada are associate members. In the OEEC both these countries have a platform from which to express their views about the provisions of the FTA treaty. But the principal medium for the protection of the interests of United States trade is the GATT. All the members of the Common Market are Contracting Parties to the GATT, as will be most, if not all, the members of the Free Trade Area.

The Common Market Treaty explicitly recognizes that prior obligations, such as those under the GATT, will be observed. If non-members of the Common Market or Free Trade Area believe that these regional arrangements are contrary to those obligations, they have -- if they are members of the GATT -- a means for seeking their modification.

A little later I want to complete this picture of Europe with some of the latest developments. But let me first continue the quick trip around the world. In order to dispose of the only other major industrial country in the Free World outside of North America, let us look first at Japan.

In 1956 Japan

In 1956 Japan enjoyed the most rapid growth in industrial production of any country -- even greater than that of France -- an increase of some 20% over 1955, which in itself had been a year of very respectable growth. In 1956 Japan's exports increased by 20%. But, largely as a result of rapid increase in credit expansion and investments and a further relaxation of import restrictions, imports grew even more rapidly -- by 30%. As a result, Japan's gold and dollar reserves declined by over $300 million in the first half of 1957. In an effort to arrest this trend and increasing inflationary pressures, the Bank of Japan raised the bank rate to the unusually high level of 8.40% in May of this year.

It is obviously impossible in this brief hour to touch at all the scores of countries that make up what may very loosely be described as the underdeveloped countries -- that is, all the countries of Asia, except Japan, and of Africa and Latin America, but excluding the Southern Hemisphere members of the British Commonwealth. What I shall do is to try to identify some of the economic trends that are common to most of them and then point out some of the important distinctions among them.

Since the war the populations of all but the least sophisticated of these countries have become aware as never before of the vast gulf that separates their standards of living from that of the industrial countries. As a result, nearly every country has adopted as a prime national objective the goal of rapid economic development. Combined with this drive, particularly in former colonial areas, has been the growth of economic nationalism, with its own bias in favor of economic diversification and industrial self-sufficiency.

The resulting impetus toward economic revolution has been intensified by unprecedented population growth which has threatened at spots to nullify in per capita terms whatever success these economic development programs may have achieved. In the underdeveloped countries of the world since the war the typical pattern of population growth -- almost wholly as a result of the decline in death rates -- has been about 1 1/2% per year, or around the rate of the United States and the British Dominions, but much higher than Western Europe. In certain areas, however, including most of tropical Latin America and parts of South East Asia, the rate is

between 2 1/2 and 3%.

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Against these population growths, most underdeveloped countries have been unable to increase their real per capita gross product as rapidly as that of the industrial countries, and the gap in living standards has continued to widen, although there have been increases in actual living levels in many of them. At the same time, the tendency has been for the exports of these countries to fail to keep pace with their growing requirements for imports. This tendency can be laid to: (1) growth in food and other primary production in the industrial countries, and (2) population growth and greater internal demand, especially for food.

When we come to take a closer look at economic trends in these countries some very important differences appear. Here again let me attempt a rough classification of some of the principal countries. For this purpose I am going to abandon the term "under-developed country" and use the broader expression "primary exporting country", which will include Australia, New Zealand, and South Africa. As in the case of Western Europe, a grouping of these countries according to some of their common economic characteristics reveals certain patterns that should help our understanding. The picture that emerges is one of economies ranging from the dynamic to the stagnant. But the group of countries enjoying relatively rapid growth divide fairly sharply between those which have been able to increase their exports substantially and those whose economic growth has been achieved at the cost of depletion of foreign reserves and inflation.

The UN distinguishes a number of primary exporting countries which, since 1948, have enjoyed the greatest rate of growth in real product: In Latin America - Brazil, Colombia, Mexico, Peru and Venezuela; in Asia - Ceylon, Iraq, Malaya, Thailand, Indonesia, and the Philippines. In addition, the three southern Commonwealth countries have also had rates of growth comparable with these other leaders. Most of these countries have also enjoyed a more than average expansion of their exports, either because of increased volume or high prices. On the other hand, the exports of countries with lower rates of growth, such as Argentina, Cuba, Burma, Egypt, India, and Pakistan, have been relatively stagnant.

When these countries

When these countries are grouped in accordance with the pressures on their external balances an interesting pattern emerges. Again drawing on the UN we can distinguish those countries whose reserves are under increasing pressure and those whose reserve position is improving. And when this classification is combined with that based on the rate of economic growth we come up with three groups which are illuminating.

The first group consists of those countries whose reserves are under pronounced pressure, but which have enjoyed better than average growth. These are: Brazil, Colombia, Peru, Thailand, Indonesia, Australia, and New Zealand.

The second group comprises those countries whose reserves are under pressure, but which have enjoyed only slow growth: Argentina, Cuba, Egypt, Burma, India, and Pakistan.

The third group, those with easy reserve positions and rapid growth -- and note the happy oil producers -- are: Mexico, Venezuela, Iraq, Ceylon, Malaya, and South Africa.

Now, let us look at the experience of each group with inflation. The countries which have achieved rapid growth in spite of pressure on their reserves sustained an increase in their cost of living from 1948-49 to 1953-55 ranging from 40% for New Zealand and Thailand to 150% for Indonesia. The third-group, which combined rapid growth and an easy balance of payments position suffered a cost of living inflation ranging from 10% to 50%. But the group that was subject to balance of payments pressures and did not enjoy rapid growth almost completely avoided inflation -- up to 1956 -- with an actual reduction in two cases and a maximum increase of 10%.

A few words of explanation about these groupings. The countries which have not felt serious pressure on their reserves were those which in general enjoyed the best export records and were able to increase their imports with impunity. But those which did not feel much pressure did not necessarily lose exchange. For some, faced with unfavorable export markets, protected their reserves by rigid import and exchange controls. They were, for the most part, the countries in our second group, which paid the price of reduced economic growth.

Let me repeat

Let me repeat that these comparisons are based on the situation at the beginning of 1956. The year 1956 saw some changes in relative positions. The greatest increases in Gross Domestic Product were recorded by two metal exporters: Rhodesia-Nyassaland and the Belgian Congo; an oil exporter, Venezuela; and two sugar producers, Cuba and the Dominican Republic. The poorest record of growth, however, includes one of the former laggards, Pakistan, and three new entries, Australia, Ceylon, and Indonesia. But the most important change during the year was in the position of India, which had started the period with fairly comfortable reserves. India lost exchange so heavily as seriously to endanger the prospects for carrying through her ambitious five-year plan for economic development.

A word about the character of economic growth in the primary producing countries. Agriculture, mining, manufacturing have all shared. But in the rapid growth countries manufacturing grew more rapidly than agriculture. In fact, it would appear from the import figures that few of the rapidly developing countries have increased their agricultural production fast enough to keep up with the growth in their per capita national income. The volume of food imports has increased over 1948 in almost all the rapidly developing countries, the increase being most rapid in Brazil, Chile, Iraq, Burma, and Ceylon. But food imports fell in all the countries the UN Classifies as relatively stagnant.

It has not been part of my plan to include the countries of the Sino-Soviet Bloc in this survey. But the picture of the underdeveloped countries would not be complete without some mention of the campaign of trade and aid that the Bloc has been conducting, very selectively, with those countries. Credits to outside countries are, so far, small compared with credits and grants by the United States, but for some countries they have been appreciable. Also, the resulting totals of trade are small as compared with the external trade of the United States or Europe, but the last few years have seen significant increases both in Bloc exports to and Bloc imports from the rest of the world; Bloc imports from a number of countries now represent a substantial part of their total exports. In this group are: Yugoslavia, Egypt, Iceland, Iran, Burma, Afghanistan, and Turkey.

So far, the significance of Bloc trade lies less in the amounts involved than in the manner in which it can be manipulated by

communist countries

communist countries for political advantage. The absence of capitalist cost-pricing has permitted Communist China to sell goods at less than cost to Japan's normal markets in South East Asia, and the Soviet Union to buy surplus Egyptian cotton without regard to normal marketing factors. Because normal economic criteria are of little help in determining the flow of this trade it introduces an element of uncertainty into world trade patterns that can be disadvantageous not only to trading nations whose exports are indirectly affected but to the countries which, in the first instance, appear to be the beneficiaries. Fortunately, there are signs that some of the latter realize this fact and would prefer to sell their food and raw material exports to the free world when they can find a market there.

I have concentrated this survey on periods of time for which enough data is available to permit valid comparisons. But I think you are entitled to some roundup of the latest significant developments. The outside world turned from a surplus to a deficit balance of payments position vis-a-vis the United States in the fourth quarter of 1956, and the balance continued adverse in the first half of 1957. Although this affected various countries in different degrees and resulted partly from unusual, non-recurring factors (the Suez crisis, the 1956 freeze in Europe, restocking of cotton in 1956-57, etc.), the net effect on foreign countries' dollar reserves was unfavorable. If we allow for seasonal factors and disregard exceptional United States payments of about $300 million to Venezuela for oil exploration rights, foreign countries lost about $400 million during the second quarter of 1957 as a result of their transactions with the United States.

During the summer and early autumn of 1957 there have been unusually strong currents of exchange speculation. First France came under pressure and was forced in mid-August to make a partial exchange-rate adjustment. This, however, only temporarily checked the speculative drain and failed to bring about the hoped for massive return of funds. Recently, renewed pressure led the caretaker French government to complete what, by any definition except the formal one, was a devaluation of the franc.

Meanwhile, the brunt of bear speculation against the existing exchange rate structure had shifted to the UK and, to a lesser but still substantial degree, to the Netherlands, Belgium, and some other countries. The obverse of this speculation was reflected in

an unprecedented influx

an unprecedented influx of funds into Germany. Following the sharp rise in the Bank of England's discount rate (on September 19), sterling strengthened, and the movement of reserves from the UK to Germany has since been reversed. Nevertheless, the foreign exchanges are still in an unsettled condition, and gold and exchange reserves in Europe, while perhaps adequate in total, are clearly inadequate in the case of several major trading countries.

Some countries which depend on exports of one or two primary products for most of their foreign exchange income have been faced in the last several months with sharp declines in the markets for a number of world-traded commodities, notably non-ferrous metals. The post-Suez flattening of the growth curve of world petroleum requirements has interrupted the rise in oil revenues of the Middle East. Weakness of commodity markets not only restricts the buying power of individual primary producing countries; it could also have an impact on the foreign exchange earnings of the sterling area and of Belgium. In the case of the sterling area, to be sure, high receipts from wool and cocoa have in some degree offset losses of earnings from weaker commodities, and, of course, Europe in general stands to benefit, terms-of-trade wise, from lower import costs.

There are others here who will be in a better position than I to predict the course of commodity markets. But it is not an easy task even for the expert, for along with all the other variables, they must take into consideration the level of business activity in the United States.

I have already mentioned that the pace of economic development in many countries -- but certainly not all -- has stimulated imports beyond their capacity to earn foreign exchange. In recent months this tendency has been most acutely felt in France and Japan among the industrialized countries and India and Brazil among the primary exporters. But more generally there are signs that the extremely rapid growth of the past few years must slow down either as the forces that sparked that growth lose their momentum, or as countries find it necessary to apply the brakes through fiscal, monetary, and credit policy.

It is significant and encouraging that there has been no rush by foreign governments to tighten or reimpose import or exchange

controls

controls nor to single out United States or dollar-area products for discrimination. Moreover, there has been a general preference for combatting inflation and speculation by indirect controls operating through fiscal, monetary, and credit policy rather than by direct controls operating through the rationing of goods, capital, and foreign exchange.

These are encouraging signs -- signs that most of the world realizes that its recent twinges are growing pains and not symptoms of the paralysis suggested by the concept of a dollar gap.

It might be wiser for me to end on that optimistic note. But it seems to me there is a more interesting lesson to be drawn from some of these observations. The people of underdeveloped countries are demanding increases in their standards of living. There is almost no limit to their potential demand for consumers goods, including food. The pressures on their governments are almost certain to force programs for economic development that will keep their economies under inflationary stress.

To the extent that they can sell their exports in the United States and elsewhere they will ease that stress by imports, including imports of food in many cases. If their export markets are inadequate they will be forced to devote the major part of their own development efforts to increasing food production at home. Given their present abysmally low levels of per capita income and explosive population growth the limits of appetite are not likely to be reached in our lifetime. The demand for higher standards of living will not be satisfied by home production and imports combined. If the industrial countries of the Western World want to see the growth of healthy and useful countries in Asia and Africa they can both encourage those countries to develop their domestic production and make it possible for them to increase their imports. There will be plenty of room for both.