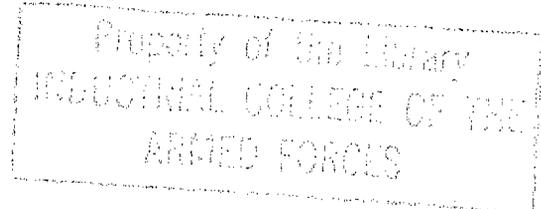


GREAT BRITAIN TODAY--STRENGTH THROUGH INDUSTRY

Mr. Peter F. Runge

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Reviewed by Col. R. W. Bergmyer, USAF on 15 October 1963

INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

1963 - 1964

Great Britain Today--Strength Through Industry

1 October 1963

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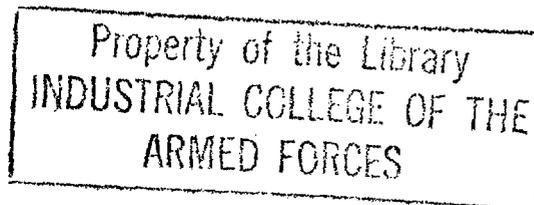
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1 October 1963

GENERAL STOUGHTON: Our speaker today is Mr. Peter F. Runge, the President of the Federation of British Industries. As you see from the initials, it could be known - and is known in England - as the FBI. But, as Mr. Runge explained to me, they're a bit older and do a few different things than Mr. Hoover's outfit does. He is here, as he says, acting as an international financier at the moment, at the annual meeting of the International Monetary Fund and the World Bank, in Washington. We've been fortunate that he could come over here with us today as part of our lecture of opportunities program which, as you know, consists of distinguished personages in the Washington area whose time we're able to get a little of.

He has consented to speak to us today on "Great Britain Today--Strength Through Industry." As you have noted from his biography he has a broad background in this area and I'm sure we will profit from his remarks. It's a pleasure to welcome Mr. Runge to the Industrial College and to present him to the student body.

Mr. Runge.

MR. RUNGE: Thank you, General Stoughton. Gentlemen:

I think I should explain that I earn my money in my spare time, not as a banker, but as a sugar refiner and not as a professional lecturer. So that, you will forgive me, perhaps, if my style doesn't quite come up to that of a professional lecture. At least you'll know the stuff which I am telling you is my view of things and how they are in Britain.

Perhaps I should start by just saying something about the Federation of British Industries, just to show you the size of the organization which I represent. It consists of 8,700 individual companies, 285 trade associations, and has a staff in

England alone, of about 250. There isn't, I don't think, anything quite comparable to the British Federation of Industries, in the United States. The NAM - the National Association of Manufacturers-over here doesn't quite do the same job. Over here it's very often a protective association, whereas the British Federation is more a policy-making body, is more a body which will interpret government to industry, or give industry's views to government. The protection of industry in the form of the sort of protection that you always want is left to other bodies. We rather pride ourselves in the statesman-like approach. There's a twist, of course, because one never helps to make a hangman's rope. But we are statesman-like.

Well, gentlemen, I stand here a self-confessed admirer of the great American nation, and the same thing applies to almost the whole of the British nation. There is nothing new in the admiration that Englishmen have had for America. I picked up a book the other day which was published in 1905, and this is something which was put into it. "American stands, in the unprinted dictionary, as meaning efficient, successful, up-to-date." And that still is the image that you have at home, a country which is right up-to-date, a little bit further ahead of Europe in these sort of things, lagging, perhaps, a little behind in some political theories. But in business acumen and in industry just a step ahead.

Now, you all know that England, by contrast with the USA, is a small country. But just so that you can keep it in your head, there are 52 million of us on an island roughly twice the size of New York State. We haven't got any resources in abundance except a little coal and our hands and brains. But curiously, I think we always have had a rather greater influence on world affairs than perhaps our size warrants. In 1415, you'll remember, there was Agincourt; in 1588 there was the Armada; in 1782 there was the Battle of the Saints, which kept the Caribbean out of French hands. In 1805 there was Trafalgar. And in 1941 there was the Battle of

Britain.

So, though we've been small, for some reason or other we've always had an effect on the way the world is going. And, I hope that is what's going to go on. I think I can give you perhaps a lightning sketch of just a few of the outstanding current problems in Great Britain. Let's just look for a moment at the political background. Public opinion polls in Great Britain today give the Labor Party a greater chance of getting back into power within the next 12 months than they've had since 1951. Whether they do so or not, we will have to wait and see. But there is just this, which I think should be made clear. Whereas, 12 years ago - well, actually, it was a slave to its own shibboleths, today the Labor Party in Britain is much more governed by pragmatism than by idealism. Although there is no doubt going to be some degree of nationalization - of the steel industry particularly; if they get back into power - there is not going to be any wholesale march toward common ownership of all means of distribution, production and exchange; there's not going to be anything like that.

I think there will be an attack on profits; I think there will be an attack on private incomes as well. I think we'll see that fiscal controls will give way to more physical controls. These are things which industry is not going to like at all. I think perhaps that some of their policies won't be to your liking over here in the United States as well. But there's not going to be any violent change, I don't think, if the Labor Party does get back in; there's not going to be a sudden change in direction. There may be a bit of a curve one way or another, but certainly there's not going to be any great over-swing to the Left.

The other great point to remember is the change in the conduct. During the past years, with very little fuss and a great deal of dignity, 627 million colonial people have been given their independence and 14 new countries have been created.

And all of those countries, with the exception of Burma, have elected to remain within the Commonwealth and to acknowledge the queen as their head.

The other highlight - and we'll be coming back to this while I'm talking - is the spurning of Britain by De Gaulle. This, I think, is a major factor of life, the spurning of Britain by De Gaulle. And I think it must affect our thinking; it must affect United States' thinking; and I think it must affect the whole of Europe's thinking as well.

Another point which I want to bring to your attention also is full employment in Britain. I'll come back to this as well and give you some figures. But the social implications of unemployment are much more seriously thought about - and this is my impression - in Great Britain than it is over here. It's a much more serious thing to be unemployed in Great Britain than it is over here. I don't know the reason; possibly because the mobility of labor isn't so great; possibly because once you're employed in a depressed area in Britain you may be unemployed for several years. But the fact remains that socially we're much more sensitive to unemployment than you are over here.

Lastly, of course, there is the Welfare State. Whatever you may think about the Welfare State, politically - whether it's a good thing or a bad thing - at least it's something imaginative that was done. And it was done without any great political upheaval; it was done without setting one man against another. The Welfare State is here to stay; it has come to stay in Britain. There are those who still crab at it a bit, but it's accepted by everybody and there isn't any question of its disappearing. It's so established now that there are hoary jokes that go around, especially in the correspondent files of the Ministry of Health. And some of these are so absolutely splendid that I must give them to you here; I think you'll enjoy them.

This is a beauty. "In accordance with your instructions I have given birth to twins in the enclosed envelope." And not to waste your time too much - "Mrs. Brown has had no clothes for a year and has been regularly visited by the clergy." I know this isn't a comic turn, but I must go on. "I'm very annoyed to find you have branded my eldest son as illiterate. Oh, it's a dirty lie because I married his father a week before he was born." And one more, if I may. "I want my money as quick as you can send it. I've been in bed with the doctor for a week and he doesn't seem to be doing much good. If things do not improve, I shall have to send for another doctor."

Now, gentlemen, a word about Britain's economy. We are dependent upon imports for half the food we eat and much of our raw materials. And we're therefore completely dependent on trade. We're not unique in that, because Holland, Belgium, Denmark, Sweden, Norway and Germany are even more heavily dependent on trade than we are. But two things do put us in a special category. First, we are very literally world traders. For instance, some 38% of our exports go to Western Europe and 30% to the Commonwealth countries all over the world. And 8% to the United States, which, incidentally, is our largest market, but I expect you know that already, and the rest of the world 24%. Incidentally, perhaps I should add that 84% of our exports is in the form of manufactured goods. There are no agricultural exports worth counting. And our imports show a similar spread.

The other thing which puts us in a special category is our role of banker to the sterling area. Sterling still finances a third of world trade. Ours is the great trading currency; yours is the great reserve currency. That gives us both great responsibilities and I needn't stress that because you know about the difficulties which there are and with the future of the dollar now. This is the very thing which is being discussed in Washington now. And we've got too, don't forget,

our great banking, shipping and insurance interests, all of world-wide importance. And our share in the defense of the world is not miniscule either.

Another thing to remember is that our whole economy is geared to making us competitive in the world's markets and getting a large-enough slice of world trade to allow the growth we want. We'll come back to that too a little later on. Our performance as exporters is remarkable. For instance, we export a third of our total manufactured goods, and that compares with the United States which exports over a tenth of their total manufactured goods. It's a very large proportion, a third. In money, export of manufactured goods is \$168 per head of the population, and that compares with the United States, of \$75 per head.

Just to blow our own trumpet for a moment, if you'll forgive me - but these things are interesting - we're not the largest manufacturers, but we're the largest exporters of electronic components in the world. Agricultural machinery is another world's first; tractors; commercial road transport as well; leather; woolen yarn; radioisotopes, so I'm told, and motorcycles; and even vacuum cleaners. It's nice also that we export sand to Egypt, fur coats to Russia, and jukeboxes to Harims in Persia - which I think is a very nice one - and poodles, also, to France.

The great change between now and pre-war, the greater emphasis which is now placed on exports from Great Britain than was formerly the case, is due to a great extent to the drop in invisible earnings. Just to give you the figures, of our total gross overseas earnings before the war, net interest from investments used to account for 21%. And today it only accounts for 12%. So that, that has to be made up. And whereas before the war merchandise accounted for 57% of our gross overseas earnings, today it accounts for 63%. This is, therefore, the reason for this great stress which is being laid at home on exports. If ever you're in doubt as to why Britain is taking a particular line, if you remember this spur to export, you'll

as likely as not, I think, get onto the reason of what it is that's prompting us to do what we're doing.

Well, now, perhaps we ought to look at the instrument on which all this is played - this pattern is played. I can't give you this without giving it to you in figures. I can't make any sense unless I give it to you in figures. I'm afraid that I'm going to be quoting pounds sterling and not dollars, if you will forgive me for that as well. Our national product in Britain is 25,000 million pounds a year. That's about 500 pounds per person per year. The growth of the national product over the past decade has been of the order of 2% per annum compound. Now, the important thing is that 35% of national product comes from manufacturing industry. It's a very large proportion indeed; we're a fully industrialized country. 10% of it comes from mining, quarrying, building and public utilities, of which, incidentally, the majority of it comes from mining, quarrying and building, of course, and only 4% of the national product comes from agriculture. The remainder, 45%, is accounted for by transport, communications, distributive trades, government services, etc.

So that, you see that nearly 2/3 of production is accounted for by manufacturing industry. Now, that is divided up 22% of manufacturing industry is in engineering and electrical goods; 11% is metal industries - iron, steel and non-ferrous goods; 9% is in cars and trucks; 9% is in textiles; and 9% is in food, drink and tobacco.

On employment, there's some 9 to 10 million employed in the manufacturing industry, and that compares with a million only engaged in agriculture; 600,000 in coal mining; and 500,000 in railways.

As to size of industry, again I'm afraid I haven't got figures for your own country with which to compare it. But perhaps you know that already. We're still

inclined to be a bit small units. There are 3,000,000 people employed in places with less than 1,000 employees, and there are a million in places with less than 10 employees. But, like over here, the size of establishment is growing very rapidly. There are twice as many people in establishments of the thousand class than there were 30 years ago. I think we have to be careful about the growth. I think it's inevitable that the size of the establishment should grow. It has to be big enough to support all the common services that you want, the research, the technicians, etc., etc. And there's also no question that you get the dynamic of size as well, which plays a part. So, I think we've got to face the fact that we're going to get bigger and bigger. I rather regret it because my personal experience is that the place with a few hundred or 1,000 people in it is often a very much happier place to work in, than a great big colossal place with 20, 30 or 40,000 people. It gets all very inhuman. But there you are. This is something we've got to face; that our units are going to get bigger and bigger.

Now, those are the background for you. Let's have a look at our trading relations in the four quarters of the globe. First, the Commonwealth. Before the war the trade relations with the Commonwealth - or rather, immediately after the first war - were those of agricultural communities trading with Great Britain, who, in return, sent manufactured goods to the Commonwealth. And it was during the post-war period, in which the whole world was going back to protectionism, that the whole system of imperial preference - of Commonwealth preference - was created. It was self-interest that did it, but it wasn't entirely protectionist in character; it was world-wide. With very few exceptions, all Commonwealth goods came into Britain duty-free. It was an attempt to make a trading alliance, if you like, of the Commonwealth.

What has happened since then, of course, is the changing character of the Com-

monwealth, with the old dominions rapidly becoming industrialized and the flow of trade of manufactured goods is two-way - or should be two-way - and it's no longer a question of exchanging manufactured goods for agricultural products. And within the developing countries within the Commonwealth too there is a great desire on their part to increase their industrialization.

There is one thing which is becoming certain, I think, and that is that the Commonwealth is no basis for a trading alliance; it doesn't look like it, any more than it is the basis for a defense alliance. But I don't think you ought to underestimate what the ties of Commonwealth are. Just because the family ties are invisible you don't want to ignore family ties. And these ties of Commonwealth are there; there's no question of it. You can't see them, but they're powerful and they act powerfully on sentiment when affairs of Commonwealth are raised.

Now trading relations with Europe. I think that all European countries - I was just wondering whether to except France or not - do recognize that expansion of trade is a major world objective and that the lowering of tariffs is only one way of doing it. And that therefore, it is necessary to come to special arrangements between countries in order to encourage trade between them; that you can't only be doing it by your tariff structure. In all that, the Common Market was an experiment and a great catalyst to thought throughout the world, particularly so in relation to our negotiations to join. Because, looking very broadly, the Brussels negotiations brought into question two major issues in the commercial field. First, there was the future trading relationship of all the industrial countries of the West with each other; and then their future relationships with the developing countries.

All this may sound very sweeping, but one can't really envisage Britain in the Common Market without taking thought about the position of the rest of Europe.

And one couldn't really begin to think about a European super-bloc without considering its future relations with the outside world, not least with the United States. Should the Common Market be liberal or protectionist? Should it be a nucleus for expansion of world trade, or an inward-looking bloc? Those were the sort of questions that everybody was asking. I don't say it's a calamity that we haven't joined the Common Market, but I think it's a great pity because I think that we would have brought to the Common Market a concept of liberality in trading which, without us, they're not going to have. I think that we would have really contributed something, and I think we'd have helped ourselves and I think we'd have helped the rest of the world. But there you are. We're not in, I think because of the action of one man; certainly the action of one country.

There's no question at all that the five countries other than France wanted us in and wanted us in badly. This I've been told by the heads of the equivalent industrial federations of the five countries, personally. They would have given anything for us to be in, chiefly, I think, because to some extent they fear the dominating influence of France. And they would have liked that to have been diluted. Equally, I think that France for the very same reason didn't want us in because I think they could feel that their own influence was going to be over-diluted. France, in fact, is just unable to share her leadership.

At home I think that public opinion was perfectly ready to accept all the implications of the Common Market, certainly all the commercial implications, although there were undoubted doubts of sentiment about the political implications of joining up with Europe. After all, we've been an island off the Continent of Europe for a great number of years; I suppose ever since William came over in 1066, and there's still a great deal of sentiment about not joining up again. But I don't think there is any doubt that the country would have accepted it, although people are saying to-

day - and this is public opinion - "Well, we're out of it; never mind. Let's get on without it."

My own view is that we've got to wait five years, at any rate, before there is any serious talk about rejoining. It's also my personal view that it's inevitable that Great Britain will join the Common Market eventually. Certainly, British industry is not planning to join the Common Market. There's none of the hesitation that existed 18 months ago as to are we going to be in, or aren't we going to be in. Our present policy is being to take it on the basis that we are not going to be in the Common Market in the foreseeable future.

Now, trading relations with the United States. The background to it, of course, is the Second World War, its destruction and reconstruction; the mammoth size of Marshall aid, which, incidentally, somebody was pointing out to me the other day, the parallel of Marshall aid with that of the aid that was given by Britain to the Continent of Europe after the Napoleonic Wars. And I'm told that in proportion to the size of things; that the aid that Britain gave to the Continent after the Napoleonic Wars was just about the same in size, as Marshall aid given to the world after this. But the fact is that the Marshall aid was there. And that is what produced, among other things, American leadership in international cooperation. It's a leadership which I sometimes don't think that everybody in America realizes has been taken over. Sometimes it appears to me that in the more remote parts of the United States it's not fully appreciated that you are leading, not only in the military sense, but also in the industrial and commercial sense.

There's the GATT, which was an American conception and which has regulated a code which is a code of good conduct in international trade. The GATT, I think we can look at, as, in essence, something which is going to produce freer trade. The GATT is not a conception which is going to lead to complete free trade in the

sense that it was known as an ideal in the last century. There's a great difference now between this and before the First World War; there's the conception of full employment which many countries - in fact, the whole world has got - and there are also no automatic gold standard rules in most of the world. The United States too has been forced to reexamine her position. We in Britain welcome the Trade Expansion Act, and we find it a far-sighted and imaginative conception.

The United States, as I was saying earlier, is Britain's largest market. I think sometimes perhaps it's a little bit neglected. There's a certain alarm by the British exporters, created by the distance away and the general idea that this country is protectionist in its attitude. A great deal of publicity is given in Britain to the Escape Clause investigations, the Buy-American Act, fair value duties and that sort of thing. I could give you plenty of examples of the sort of things one is told about in which success can be penalized. You have the example of bicycles and woolen goods. Agricultural policies are difficult, as well, sometimes.

But we're certainly not neglecting the American market any more than America is going to neglect the British market. The way to increase trade is to encourage other people's goods into one's own country as well as trying to push one's own goods throughout the world.

So far we've been talking about the developed countries of the world, and their trade. How does all this fit in with the developing countries? I think that this is something which is going to effect the trading relations of everybody. We're both deeply committed - the United Kingdom and the United States - to helping the developing countries, and we're both giving a great deal of aid. Britain's aid, in proportion to its national product is slightly less, but very nearly up to what the United States is giving in the way of aid to the developing countries. One thing that I think we've got to realize and face is that it is only by industrialization

of the developing countries that we're going to increase their standard of living. I don't think it is possible to rely on the expansion of agriculture, although there are some aspects of agriculture in developing countries, particularly tropical products, which I think could be encouraged. I think if a product of a temperate zone can replace that of a tropical zone I think one should give very careful consideration of whether it's good policy to continue to do so. But all of the developing countries are anxious to keep their agricultural economy healthy, for all sorts of social reasons of maintaining the population in the country.

As we see it, the stage is now set for a very bold program of action in cooperation with other nations, to broaden and revitalize the flow of international trade. And I think that this will mean putting into practice in the trade field, the concept of inter-dependence already widely accepted in the political field. For the United Kingdom, the consequences of a liberal pragmatic policy toward the developing countries is very far-reaching. And some of our industries have already been hit to a very serious degree, perhaps more so than any other country in the world.

The cotton industry in the United Kingdom is going through the most terrible time because the Asian cotton industry is being allowed to take its place. Just to give you a figure, before the war, coal, cotton and wool constituted 30% of our exports; coal, cotton and wool. Today they only amount to 7½%. So, you can see the upheaval that there has been in Lancashire and Yorkshire, and in the coal mining districts.

But while we're thinking of liberal policies in connection with the developing countries, in the meantime we're outside the Common Market and we're going to find markets where we find them. At the moment, our competitive position is growing very fast. We've had some remarkable successes, particularly in the Common Market countries. And there have been some successes in America as well; but

chiefly in Europe. For instance, - and these are big figures - in the second quarter of 1963, exports from Britain to the Common Market countries were 15% higher than in the corresponding period of last year. In France they were up as much as 28%. Exports to the Common Market have doubled, as compared with five years ago. And, to the EFTA countries, 50%. Now, that compares with hardly any increase at all to the United States. But I was giving you those figures in order to show you that our competitive position is improving rapidly.

Now, what is this emphasis on exports? What it entails is it's governing the whole of the economy of Britain. And what has been happening since the war, is striving to maintain a 6% increase in exports per annum in order to maintain a 4% increase in national product per annum, because the one goes hand-in-hand with the others. And the sort of thing that happens and which has been happening, is that in order to stimulate the economic growth of the country, actions have been taken, which you are only too fully aware of, which has over-stimulated the economy. Prices then rise and then exports become insufficient because they're not competitive; exports become insufficient to meet the imports bill, there's a balance of payments crisis, and the brake gets put onto economic growth by all the well-known methods such as restrictions, interest rates, borrowing controls, purchase taxes, etc., etc. going on.

These cyclical patterns can be contained and inflation is partially curbed, but at the expense of keeping the economy for long periods at the level of activity well below that of which it is capable. That has accounted in large measure for the slow rate of growth of the United Kingdom economy since the last war. It has been the emphasis which has been laid on the importance of maintaining the growth of the economy of 4% per annum, which has led to the creation of NEDC, the planning organization, or National Economic Development Council, which has recently been started

in Britain. And I think you'd probably like to hear something about it.

British industry has come out in support of this planning operation, and that's a considerable change of front. For many years planning was not a respectable word, since it brought to our mind the physical controls which were associated with Socialist planning immediately after the Second World War. But the NEDC idea of planning is, we believe, different; at least under the present government. One wants to look at the structure of NEDC to see that. It's independent of government; although the Chancellor of the Exchequer sits as chairman at its meetings, the office part of NEDC - that's the professionals, the permanent staff - are independent of government and there are representatives on the NEDC Council from industry, the trade unions, and other bodies as well, and the whole affair is kept clear from government. It's an advisory service and has no teeth in it, but it is free to say what it likes and it is free from the controls of government. The aim is to examine the plans for development of the main industrial sectors to see how they fit in with each other and with the plans of the public sector.

The council has already chalked up a number of successes. First and very important, the Trades Union Congress - the trades unions are cooperating fully after a period of initial suspicion. It has given them for the first time an independent voice in helping to formulate economic policy. In the past the trades unions only exercised influence through the Labor Party. And to get them free of this political tie-up I think is very important for industry and for the country as a whole. I have no doubt that the trades unions will vote solidly for Labor in general elections, but at least in policy-forming they can keep a separate line.

The other success that has been chalked up is that undoubtedly Mr. Maudlin, the Chancellor of the Exchequer, used NEDC's thinking as the basis of his last budget when he stimulated the economy, which, incidentally, I think is now being

proved to have been stimulated just to the right extent. It looks as though there were a lot of complaints to begin with that it hadn't been stimulated to a great enough extent, but it looks, especially to industry, as though it has been done and that the stimulation was exactly right without having been over-stimulated and without the normal fears of inflation following it.

Basically, I think that NEDC is an exercise in public persuasion. As I said, there are no teeth in it, but it's an attempt to show how actions in one sector of the economy affect the progress in others. The second stage will be reached in NEDC when it's attempted to influence individual decisions so that they fit in with national objectives. This is the stage which is just beginning now. NEDC is a great experiment; it's a great experiment which British industry is hoping is going to work. It is still experimental, and what we've got to see is whether their thinking and their preaching are going to have an effect when the time comes; whether the courts and independent body, is pointing the way that various sectors of the economy should go; whether people will take the lead and whether each sector will follow the general guiding lines which will be produced by NEDC, or whether the thing is going to be hopeless and is only going to be preaching, without having some teeth in the council. This is what is to be seen.

I believe, myself, that by having a plan, that by having this thinking done, we will find that if everybody knows where they ought to be going they may well go there. But this is to be seen yet.

Well, gentlemen, I've roamed over a very broad picture, sticking a dab of paint on here and there with perhaps the abandon of a modern painter. But I can't end without a word about the frame. Curiously, I think it's the frame which is more important than the picture itself. The style of the painting and the materials which are used can both vary, but the frame in which they are set must, I think, be

that of the freedom of the individual to behave as he thinks fit and not as others may think fit. If that's the shape of the frame, that surely spells the freedom of choice which free enterprise alone can supply. It's true that some aspects of the economy, or nowadays of any economy, are nowadays recognized as being more appropriately run by the state than by individuals. Private armies, navies and air forces are no longer looked on with great favor. And, to go from the sublime to the ridiculous, no one expects nowadays to be allowed to dispose of his sewage as he pleases. But to acknowledge that some freedom must be sacrificed in the interests of society generally, is not to acknowledge that corporate enterprise^{is} superior to free enterprise, or that controls are superior to competition.

There are those people - in Britain, at any rate - who find difficulty in envisaging a half-way house between an economy completely managed by the state - that's Socialism - and one completely at the mercy of competition - that is, laissez faire economics. I find no such difficulty. I don't see why we have to be doctrinaire about it. I don't see why it has to be black, or white. Just because some projects have to be undertaken by the state in order to be done at all; just because some industries are, and should be, sometimes protected from the maraudings of another; just because having a national plan can be recognized as good sense; don't let us start arguing from the particular to the general and see virtue in state enterprise and control.

Don't let us be led by the poets' eulogies of the industry of the ant, to think that there is anything attractive in an ant-heap. Don't, in fact, let us lose our faith in free enterprise. That's what I am preaching at home. Let's keep our individuality; it's something worth fighting for. And I can assure you that the mood in Britain is to do just that.

QUESTION: Mr. Runge, what is the present status of the shipbuilding industry in England? Is the work still being done in Scotland, or is it mostly being done in England? Or are you contracting out for the bottoms, for commercial shipping?

MR. RUNGE: I'm not an expert on the shipbuilding industry, but there has been no change in the location of the shipbuilding industry. It's chiefly centered on the Clyde in Scotland, on the Tyne in Newcastle, and in Liverpool. Those are the three big centers - and Aberdeen as well. There seems to be a slight upturn in the shipping industry in Britain. There have been one or two orders for big ships that have gone outside. The oil people have ordered some ships from Scandinavia, but equally there have been some foreign orders in Britain. But they're going through a difficult time and it's partly due to trades unionism; what they call demarcation.

In Britain, unlike over here, they are crafts unions rather than industrial unions, and therefore, in building ships you have a lot of this demarcation stuff, where one man says, "If it's a bit of wood I've got to drill the hole," and if it's a bit of metal another man says he has to do it. And there has been that sort of silly nonsense among the unions. I think it may well be that which has been producing the rather high costs.

QUESTION: Mr. Runge, would you comment further on the degree of the curve that we might expect if Mr. Wilson replaces Mr. MacMillan at 10 Downing Street?

MR. RUNGE: The curve?

QUESTION: The degree of the curve that we might expect if the Labor Government comes to power.

MR. RUNGE: You mean political, or industrial - to us in Britain, or to you in the States?

QUESTION: To us.

MR. RUNGE: I think probably that in fact, it won't be as serious as he talks.

But, there appears to be at the moment, the appearance that he talks as though he would be prepared to produce legislation which would affect trade, for political reasons. For instance, he has already said that he will bring pressure to bear on South Africa to alter their political ideas through trade. And I think it's possible therefore, that he may bring trade matters in as political pressures. I think that's the sort of thing. I don't know that there's more than the general feeling that he may well produce some things which the United States doesn't like.

QUESTION: Mr. Runge, what steps are being taken toward making itself more competitive in world trade?

MR. RUNGE: There are two schools of thought about this. You know that everything always gets argued out in public in the London Times Newspaper, etc. - there are two arguments about this. One says that the competitiveness of trade of British products is a matter of price. The other says it's a matter of what they're concentrating on. There is a gentleman called "Professor Bark," who says that we're concentrating much too much on the older industries and not enough on the growth industries. However, from the same set of statistics people say it's really only a question of price; that the skills and the ingenuity, and the equipment a person has got are entirely adequate to maintain the 6% increase of exports per annum so long as the prices are right.

Therefore, the answer to your question is, finally, keeping costs down, and that means higher and higher productivity. That's a quick answer. I could give you an hour or an hour-and-a-half if you had the leisure.

QUESTION: Mr. Runge, would you please comment on Britain's Foreign Aid Policy as it may contrast to ours? In some areas we require a nation to have a national plan, agrarian reforms and the like plus that we tie the aid into the Buy American Clause.

MR. RUNGE: Well, I think the great thing we've got to remember is what I'm saying about the sentiment that there is in Britain's ex-colonies that are now members of the Commonwealth. Most of our aid to developing countries is being directed toward Commonwealth countries. The contact between these ex-colonies and ourselves, is very close. So that, the demands which are made are very much less stringent, and indeed, the whole investigational process is very much less. So, I would say, therefore, that in general the conditions which are laid down by Britain when giving development aid to ex-colonies, is much less stringent than that - and naturally so too - of when the United States has a look at developing countries such as South America or wherever it may be.

QUESTION: Sir, would you expand on your observation of the difference of interpretation of the approximate size of the labor force and your current employment rate?

MR. RUNGE: I forget the figure of the total employment; it must be on the order of 20 million. I ran out of time when I was talking earlier, because I had meant to give you these figures because they're very interesting. Now, I know that the calculations of these statistics are slightly different and not exactly comparable - but the trends are comparable - when I give you these figures. In the United States today the unemployment is recorded as 6.4%. In 1958 - I'm giving you the highs - it was 6.8%, and the lowest was in 1953, when it was 2.9%. This is post-war - from 1948 onward. Now, that has been found tolerable in the United States.

In Britain the highest has been 2.3% in 1959, which is less than the lowest in the States. And the lowest has been 1.2%. At the present it's 2.2%, and people are inclined to say that that's on the high side. Those are averages. Of course, it varies a great deal regionally. Certainly in the distressed areas - I'm sorry, I musn't call them "distressed areas" - in development areas, which are around

Liverpool, Scotland - and in Northern Ireland - the rate of unemployment is of the order of 6% or 7%, and that is treated as a social evil. If in a district you go as high as 6% or 7% it's considered a real social evil and everybody is agreed that something should be done about it. And a great deal is done about it.

There is one point perhaps I should make in addition to this, which is that there are smaller countries, such as we are, and there is a school of thought with which I thoroughly agree, which is that one just cannot afford unemployment; that one is wasting one's resources if one has an unemployed person. We're no longer thinking in terms of having unemployment as a method of disciplining labor.

QUESTION: Would you comment, please, on the pros and cons of trading with the Communist Bloc?

MR. RUNGE: Yes. I was up at the State Board of Industrialists and I believe that as far as the industrialist is concerned he ought to trade where he wants to trade. If there is a profit in it he should take it. He shouldn't concern himself with the politics of it. Obviously, as a citizen, I accept - accept is the wrong word - I'm completely in mind that one doesn't give strategic advantages to a potential enemy. Nor does one give strategic advantages to the potential enemy of one's allies.

But outside that, British industry feels that we should trade where we can. Because, surely the object is to be as strong as one can, and one isn't going to become particularly strong by picking and choosing and saying "I'm not going to trade with you because I don't like the cut of your jib." So, the answer to the question is, as wide as possible, with the exception only of not giving strategic benefits to one's potential enemy.

QUESTION: Mr. Runge, how would you solve our gold-flow problem?

MR. RUNGE: Well, I was just going to say that I would put an extra guard on

at Fort Knox.

QUESTION: Mr. Runge, you mentioned that it would probably be five years before Britain made another move to join the Common Market. Would you care to comment on what factors you've used in arriving at this estimate?

MR. RUNGE: Yes. One of the factors, is, of course, when, and sometimes one sometimes thinks it's if De Gaulle is going south. I think that the factors are purely sentiment in France herself. I don't think it depends on Britain. I don't think it would be dignified for us to make approaches to somebody who has spurned one. One doesn't go - at least I don't - pestering a girl more than once. I think the fact is it's sentiment in France and not in Britain.

QUESTION: Our Administration is suggesting that a reduction in taxes would be a stimulant to the growth of our economy. I understood that you were suggesting that if Labor does triumph in the next general election, that you will have tax increases in Britain. Do you feel that this will reduce your growth rate in Britain?

MR. RUNGE: I think you should really have an economist to answer this. I think that there may well be some experimentation in Britain by the Labor Administration with higher taxation and with lower interest rates; the sort of thing that was tried immediately after the war. I think that what might happen is that through lack of practice in trying out new ideas one would get an inflation going on again. If one gets an inflation going on again it is certain in my view that growth is going to be restricted. Because, if you get inflation the prices are going to rise; if prices rise we become uncompetitive in exports; and one thing is absolutely certain in Britain; that if you're uncompetitive in exports you've got a balance of payments problem, and you immediately have to close down on the economy.

This is something which doesn't happen over here to the same extent because you don't rely as strongly on your exports to the extent that we do. So that, the

main thing is to avoid inflation. Your question, therefore, depends on whether the policies that the Labor Government is likely to introduce are those which are going to produce inflation. I have a sort of feeling that those dangers will be there. Still, we'll hope that if they do get in that they won't do the wrong thing.

QUESTION: Is there concern in Great Britain that added automation will lead to increased unemployment? No, certainly not. I think there are idiots who think so. There are two things to answer people who say that. I always say, "Why do you suppose that one has got to learn exactly the right stage of automation? If you think it's a bad thing to go on automating because it's going to increase unemployment, why don't we deliberately go back to bows and arrows, and that sort of thing?"

The other is a story I tell that my father used to tell when he was going over the canal in London, England, and there were two people with pneumatic river service - which would be, I suppose, in the early 1900s. One of them turned to the other one and said, "Nick, if it weren't for this 'ere machine there'd be ten of us blokes on this job." The other turned round to him and said, "Maybe you've got it all wrong; if it wasn't for this 'ere machine there wouldn't be a bridge at all and not two would be on this job."

So, that's the answer. I mean, the way to create jobs is to make it cheaper. And I think this is generally accepted in Britain. There is a thing now which is called the "National Productivity Council." The National Productivity Council is something which is supported by all segments of the community, including the trades unions as well. It's a very good body. And we're right in the middle of a thing called the "National Productivity Year," at this moment. You know, we're inclined to have these years in Britain. You only have days, like Mothers' Day and Fathers' Day. We have productivity years. They're sort of so that father can really get busy.

But lately, attention has been focused on productivity and automation, and I believe that public opinion is thoroughly reconciled to higher productivity.

QUESTION: We currently read in the papers that there is a new thought in England to revalue or change the denominations of the English coinage. Can you tell me why, or what the purpose is?

MR. RUNGE: Well, I can certainly say why. I believe we've all got ten fingers and we haven't got 12 - or at least, not many of us. It's easier to count in tens, and there was the suggestion to turn over the decimal count by, I think, Samuel Peats (phonetic) first. But we've always delayed it. I'm in favor of going over to a decimal coinage and the sooner the better. I hope that it goes through. The only argument is whether one should have a unit of 10 shillings, or a unit of a pound. I'm personally in favor of keeping the pound and having 100 cents to the pound rather than keep the 10-shilling unit and calling it a "royal" or some such name and having 100 cents to that; like what South Africa has - what they call the "ram;" or like Australia is going to have - I don't know what they're going to call it.

I would keep the pound for "auld lang syne." It's a good, old-fashioned and well-respected word - the pound sterling - and I'd keep it like that.

QUESTION: Would you also move over to the right-hand side of the road?

MR. RUNGE: No.

QUESTION: Referring to an earlier question, if the United States does change the policy on trade with the Communist Bloc, what do you feel the impact of this would be on Britain, and particularly what body would this affect?

MR. RUNGE: If the United States changes its policy? I think that the growth of it would be remarkably small. You know, patterns of trade are never altered rapidly. It's extremely difficult to alter a pattern of trade, and I think that

any growth in East-West trade - I suppose you'd call it "West-East trade" - with Russia, would be extremely slow. It would have to start, I suppose, with such things as timber and that sort of thing. But I don't see that there would be any really violent repercussions either on the economy of the United States or on the economy of Britain, because it would be so slow.

QUESTION: Would you care to comment on the Labor Party's attitude toward nuclear weapons?

MR. RUNGE: Oh yes. I think that world peace sustained a blow when Hugh Gaitskell died. I think that Hugh Gaitskell - who did lead the Labor Party - was a good deal more sensible, or we knew where we stood with him. I think that the Labor Party is inclined to listen to the silly-billies who don't really understand about nuclear weapons. And this ridiculous business of saying that our influence is going to be greater without nuclear weapons than with; I think that there are more people - many more people in the Labor Party - who will listen to the silly-billies, than there are in the Tory Party.

But I think if they come to power, that sense will prevail and that there won't be any change in policy at all. I don't think for a moment that any party could remain in power that tried to pursue a policy of unilateral abolishing of the bomb. You know, we're so caught about the thermonuclear bomb in Britain, that an awful crowd of people have forgotten that there are only three nations in the world that know how to loose off a thermonuclear force. Incidentally, perhaps I should add that I am personally delighted that two of them speak English.

QUESTION: Sir, would you please comment on the usefulness of the IMF?

MR. RUNGE: I think that the four bodies which are the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Development Association, those four to-

gether, have undoubtedly proved the doubters of Bretton Woods wrong. I think it is a bold experiment in international cooperation and I think it's a bold experiment which has paid off. Witness the fact that this conference is going on here in Washington at this very moment. And the Western World is full of praise for the work that they're doing. I think it's bound to be the purpose and the center of all aid to developing countries, for one thing, for international cooperation, and for the advancement of what is known as "international liquidity," which I don't understand. I strongly suspect that the thousand people who were listening to Dr. Schweitzer this morning, only a handful of them knew either.

QUESTION: Sir, what steps has British industry taken to survive a nuclear attack?

MR. RUNGE: None.

COLONEL MORGAN: Mr. Runge, we appreciate your taking the time to come down here this afternoon, and thank you very much for a fine presentation on Great Britain.

MR. RUNGE: May I say just how much I've enjoyed talking to you. I now know that the Armed Forces of the United States are not only gallant, but extremely intelligent too.